



Dave Yost • Auditor of State



**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Title I funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 21 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, the Schedules of the District's Proportionate Share of the Net Pension Liability for School Employees Retirement System of Ohio and State Teachers Retirement System of Ohio, and the Schedules of District Contributions for School Employees Retirement System of Ohio and State Teachers Retirement System of Ohio, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 21, 2016

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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, 2015. 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 2015 fiscal year are as follows:

- Net position increased in fiscal year 2015 due mainly to an increase in cash and cash equivalents and intergovernmental receivables resulting from a rise in State Foundation monies and grants as well as to a decrease in long-term obligations resulting from the continued pay-down of long-term debt and a reduction in the net pension liability. The increase in net position was partially offset by a decrease in capital assets resulting from annual depreciation outpacing current year additions.
- The School District implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements for the School District.
- Capital asset additions included building and improvements as well as the purchase of various furniture and equipment, one maintenance service vehicle and two food service vehicles.
- Long-term debt obligations decreased due to annual debt payments on general obligation bonds.

### **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 Position 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, title I fund and the bond retirement fund.

### **Reporting the School District as a Whole**

#### *Statement of Net Position 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 question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and deferred outflows of resources* and *liabilities* and *deferred inflows of resources* using the *accrual basis of accounting* similar

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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 position* and changes in net position. This change in net position 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 Position 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 12. 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 are the general fund, title I fund and the bond retirement 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

#### *Proprietary Funds*

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 funds report on self-insurance programs for employee medical, prescription drug, dental and vision claims and workers' compensation. The proprietary funds use 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 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 Position and

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Changes in Fiduciary Net Position. 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 Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for 2015 compared to 2014:

**Table 1**  
Net Position  
Governmental Activities

	2015	2014	Change
<b>Assets</b>			
Current and Other Assets	\$67,032,249	\$59,474,014	\$7,558,235
Capital Assets, Net	142,284,601	146,900,280	(4,615,679)
Total Assets	209,316,850	206,374,294	2,942,556
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	0	458,086	(458,086)
Pension	7,695,085	6,123,463	1,571,622
Total Deferred Outflows of Resources	7,695,085	6,581,549	1,113,536
<b>Liabilities</b>			
Current Liabilities	11,453,251	10,673,843	(779,408)
Long-Term Liabilities			
Due Within One Year	2,563,664	2,196,216	(367,448)
Due in More Than One Year			
Net Pension Liability	101,666,243	120,718,394	19,052,151
Other Amounts	34,354,795	37,093,282	2,738,487
Total Liabilities	150,037,953	170,681,735	20,643,782
<b>Deferred Inflows of Resources</b>			
Property Taxes	24,013,880	24,256,689	242,809
Pension	18,267,375	0	(18,267,375)
Total Deferred Inflows of Resources	42,281,255	24,256,689	(18,024,566)
<b>Net Position</b>			
Net Investment in Capital Assets	116,173,250	119,046,977	(2,873,727)
Restricted for:			
Capital Projects	2,129,846	2,103,060	26,786
Debt Service	4,011,477	3,848,907	162,570
Other Purposes	9,152,727	9,964,444	(811,717)
Unrestricted (Deficit)	(106,774,573)	(116,945,969)	10,171,396
Total Net Position	\$24,692,727	\$18,017,419	\$6,675,308

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During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$132,612,350 to \$18,017,419.

Current assets increased mainly due to an increase in cash and cash equivalents as well as to an increase in intergovernmental receivables resulting from a rise in State Foundation monies and grants. The decrease in capital assets was due to an additional year of depreciation. This decrease was partially offset by current year additions to buildings and improvements, equipment and vehicles.

Current liabilities increased in fiscal year 2015 due mainly to a rise in accrued wages and matured compensated absences payable. Long-term liabilities decreased during fiscal year 2015 which can be attributed to a reduction in the compensated absences liability and to annual payments on the School District's general obligation bonds.

Table 2 shows the changes in net position from fiscal year 2015 to 2014.

**Table 2**  
Change in Net Position  
Governmental Activities

	2015	2014	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,246,440	\$1,472,062	(\$225,622)
Operating Grants and Contributions	32,272,897	31,699,903	572,994
Capital Grants and Contributions	519,772	449,742	70,030
<i>Total Program Revenues</i>	<u>34,039,109</u>	<u>33,621,707</u>	<u>417,402</u>
General Revenues			
Property Taxes	22,986,459	22,262,582	723,877
Grants and Entitlements	82,584,561	76,280,224	6,304,337
Payment in Lieu of Taxes	1,451,831	1,434,921	16,910
Unrestricted Contributions	21,573	119,585	(98,012)
Investment Earnings	306,099	394,876	(88,777)
Miscellaneous	334,764	326,316	8,448
<i>Total General Revenues</i>	<u>107,685,287</u>	<u>100,818,504</u>	<u>6,866,783</u>
<i>Total Revenues</i>	<u>\$141,724,396</u>	<u>\$134,440,211</u>	<u>\$7,284,185</u>

(continued)

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**Table 2**  
Change in Net Position (continued)  
Governmental Activities

	2015	2014	Change
<b>Program Expenses</b>			
Instruction:			
Regular	\$66,751,145	\$63,621,384	(\$3,129,761)
Special	13,595,902	15,551,502	1,955,600
Vocational	2,032,788	2,490,640	457,852
Adult/Continuing	1,241,612	858,516	(383,096)
Student Intervention Services	427,780	544,516	116,736
Support Services:			
Pupil	5,133,766	5,782,947	649,181
Instructional Staff	7,164,843	5,073,359	(2,091,484)
Board of Education	203,047	224,789	21,742
Administration	8,122,832	7,613,184	(509,648)
Fiscal	1,484,509	1,512,751	28,242
Business	945,348	827,248	(118,100)
Operation and Maintenance of Plant	10,997,411	11,339,959	342,548
Pupil Transportation	6,633,316	6,607,223	(26,093)
Central	1,327,256	1,477,333	150,077
Operation of Non-Instructional Services	3,077,263	2,659,483	(417,780)
Food Service Operation	3,679,531	3,554,651	(124,880)
Extracurricular Activities	1,114,137	990,901	(123,236)
Interest and Fiscal Charges	1,116,602	1,826,182	709,580
<i>Total Program Expenses</i>	<u>135,049,088</u>	<u>132,556,568</u>	<u>(2,492,520)</u>
<i>Increase (Decrease) in Net Position</i>	6,675,308	1,883,643	4,791,665
Net Position Beginning of Year	<u>18,017,419</u>	N/A	
Net Position End of Year	<u>\$24,692,727</u>	<u>\$18,017,419</u>	<u>\$6,675,308</u>

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$6,123,463 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$4,386,540. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

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Total 2015 program expenses under GASB 68	\$135,049,088
2015 Pension expense under GASB 68	(4,386,540)
2015 contractually required contribution	6,742,938
Adjusted 2015 program expenses	137,405,486
Total 2014 program expenses under GASB 27	132,556,568
Increase in program expenses not related to pension	\$4,848,918

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. In fiscal year 2015, State Foundation monies and grants increased as the School District continues to seek out additional sources of revenues to maintain programs.

Program expenses not related to pension increased in fiscal year 2015 due to higher purchased service costs relating to tuition paid to other districts and community schools as well as to higher salaries and benefits expense resulting from an increase in certified and classified staff.

During fiscal year 2015 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:

Property Growth - Last Ten Years		
Calendar Year	Total Valuation	Growth Rate
2015	\$492,285,710	(3.17) %
2014	508,405,300	(1.26)
2013	514,902,930	1.63
2012	506,633,460	(12.28)
2011	577,526,800	(3.72)
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	

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The average rate of growth over the last 10 years is (2.74) percent.

Because of the low per pupil valuation, the School District is highly dependent on State funding to maintain financial stability.

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.

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
<b>Program Expenses</b>				
Instruction:				
Regular	\$66,751,145	(\$63,475,034)	\$63,621,384	(\$60,224,749)
Special	13,595,902	648,413	15,551,502	(2,211,757)
Vocational	2,032,788	(1,133,388)	2,490,640	(1,262,412)
Adult/Continuing	1,241,612	(491,873)	858,516	(11,651)
Student Intervention Services	427,780	(211,496)	544,516	(260,880)
Support Services:				
Pupil	5,133,766	(3,383,505)	5,782,947	(3,165,769)
Instructional Staff	7,164,843	(4,011,924)	5,073,359	(2,897,604)
Board of Education	203,047	(203,047)	224,789	(224,789)
Administration	8,122,832	(7,319,618)	7,613,184	(6,299,885)
Fiscal	1,484,509	(1,344,763)	1,512,751	(1,379,369)
Business	945,348	(945,348)	827,248	(827,248)
Operation and Maintenance of Plant	10,997,411	(10,404,200)	11,339,959	(10,804,251)
Pupil Transportation	6,633,316	(5,213,039)	6,607,223	(5,261,293)
Central	1,327,256	(1,327,256)	1,477,333	(1,457,533)
Operation of Non-Instructional Services	3,077,263	(253,584)	2,659,483	93,721
Food Service Operation	3,679,531	167,878	3,554,651	7,030
Extracurricular Activities	1,114,137	(991,593)	990,901	(920,240)
Interest and Fiscal Charges	1,116,602	(1,116,602)	1,826,182	(1,826,182)
<i>Total</i>	<u>\$135,049,088</u>	<u>(\$101,009,979)</u>	<u>\$132,556,568</u>	<u>(\$98,934,861)</u>

**The School District's Funds**

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due to a significant increase in State Foundation monies. Despite an increase in revenues, the title I fund had a decrease in fund balance resulting from higher support service costs. The bond retirement fund had an increase in fund balance due to an increase in property tax and intergovernmental monies.



**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

**General Fund Revenues and Expenditures**  
**(Modified Accrual)**

	<u>2015</u>	<u>2014</u>	<u>Change</u>
<b>Revenues</b>			
Property Taxes	\$20,504,496	\$19,801,376	\$703,120
Intergovernmental	94,737,054	87,161,078	7,575,976
Interest	154,073	285,714	(131,641)
Payment in Lieu of Taxes	1,451,831	1,434,921	16,910
Other Revenues	921,227	993,762	(72,535)
<i>Total</i>	<u><u>\$117,768,681</u></u>	<u><u>\$109,676,851</u></u>	<u><u>\$8,091,830</u></u>
<b>Expenditures</b>			
Instruction	\$78,279,330	\$72,403,573	(\$5,875,757)
Support Services	34,362,787	31,935,212	(2,427,575)
Operation of Non-Instructional Services	124,415	12,570	(111,845)
Extracurricular Activities	474,898	326,079	(148,819)
<i>Total</i>	<u><u>\$113,241,430</u></u>	<u><u>\$104,677,434</u></u>	<u><u>(\$8,563,996)</u></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 general fund is the most significant fund and is appropriated at the fund level.

For the general fund, the final budget basis revenue was higher than the original budget estimate due mainly to increases in State Foundation intergovernmental revenues.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in instructional activities and support services due to higher estimated expenditures as the School District's current year requirements became more apparent. The change was also attributable to an increase in advances out to other funds due to the timing of the receipt of grant monies.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

The following table shows fiscal 2015 balances compared to 2014.

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

	2015	2014	Change
Land	\$1,002,781	\$1,002,781	\$0
Buildings and Improvements	139,417,601	143,850,722	(4,433,121)
Furniture and Equipment	708,289	802,895	(94,606)
Vehicles	1,155,930	1,243,882	(87,952)
<i>Total Capital Assets</i>	<u>\$142,284,601</u>	<u>\$146,900,280</u>	<u>(\$4,615,679)</u>

Capital assets decreased during fiscal year 2015 due to an additional year of depreciation. This decrease was partially offset by current year additions to buildings and improvements, various furniture and equipment and the purchase of one maintenance service vehicle and two food service vehicles. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

***Long-term Obligations***

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

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

	2015	2014	Change
Classroom Facilities Bonds	\$25,779,771	\$27,460,500	(\$1,680,729)
Net Pension Liability	\$101,666,243	\$120,718,394	(19,052,151)
Capital Leases	5,050,000	5,050,000	0
Claims	236,370	320,520	(84,150)
Compensated Absences	5,852,318	6,458,478	(606,160)
Total	<u>\$138,584,702</u>	<u>\$160,007,892</u>	<u>(\$21,423,190)</u>

In fiscal year 2013, the School District refunded a large portion of the 2005 classroom facilities bonds. The original bonds were issued for the construction of new schools. The unrefunded portion of the 2005 classroom facilities bonds will fully mature at December 1, 2027. The series 2012 classroom facilities refunding bonds were issued for an eleven year period with a final maturity at December 1, 2023. The series 2013 classroom facilities refunding bonds were issued for a fifteen year period with a final maturity at December 1, 2027. For additional information on long-term obligations see Note 16 to the basic financial statements.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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**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.

**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 Sherry Tyson, Treasurer, Youngstown City School District, 20 W. Wood St., PO Box 550, Youngstown, OH 44503, 330-744-6996.

**Youngstown City School District**

*Statement of Net Position*

*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$28,196,849
Cash and Cash Equivalents With Fiscal Agents	4,082,585
Accounts Receivable	112,778
Intergovernmental Receivable	8,360,751
Prepaid Items	29,895
Inventory Held for Resale	68,398
Materials and Supplies Inventory	340,834
Property Taxes Receivable	25,840,159
Nondepreciable Capital Assets	1,002,781
Depreciable Capital Assets, net	141,281,820
<i>Total Assets</i>	<u>209,316,850</u>
<b>Deferred Outflows of Resources</b>	
Pension	7,695,085
<b>Liabilities</b>	
Accounts Payable	684,935
Contracts Payable	192,925
Accrued Wages and Benefits	6,671,263
Intergovernmental Payable	1,728,644
Matured Compensated Absences Payable	984,572
Accrued Interest Payable	105,912
Claims Payable	1,085,000
Long-Term Liabilities:	
Due Within One Year	2,563,664
Due In More Than One Year	
Net Pension Liability (See Note 12)	101,666,243
Other Amounts	34,354,795
<i>Total Liabilities</i>	<u>150,037,953</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	24,013,880
Pension	18,267,375
<i>Total Deferred Inflows of Resources</i>	<u>42,281,255</u>
<b>Net Position</b>	
Net Investment in Capital Assets	116,173,250
Restricted for:	
Capital Projects	2,129,846
Debt Service	4,011,477
Other Purposes	9,152,727
Unrestricted (Deficit)	<u>(106,774,573)</u>
<i>Total Net Position</i>	<u>\$24,692,727</u>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$66,751,145	\$470,667	\$2,390,511	\$414,933	(\$63,475,034)
Special	13,595,902	78,630	14,165,685	0	648,413
Vocational	2,032,788	30,245	869,155	0	(1,133,388)
Adult/Continuing	1,241,612	273,982	475,757	0	(491,873)
Student Intervention Services	427,780	2,882	213,402	0	(211,496)
Support Services:					
Pupil	5,133,766	57,333	1,692,928	0	(3,383,505)
Instructional Staff	7,164,843	0	3,152,919	0	(4,011,924)
Board of Education	203,047	0	0	0	(203,047)
Administration	8,122,832	54,617	748,597	0	(7,319,618)
Fiscal	1,484,509	0	139,746	0	(1,344,763)
Business	945,348	0	0	0	(945,348)
Operation and Maintenance of Plant	10,997,411	47,041	526,025	20,145	(10,404,200)
Pupil Transportation	6,633,316	0	1,420,277	0	(5,213,039)
Central	1,327,256	0	0	0	(1,327,256)
Operation of Non-Instructional Services	3,077,263	0	2,823,679	0	(253,584)
Food Service Operation	3,679,531	193,493	3,653,916	0	167,878
Extracurricular Activities	1,114,137	37,550	300	84,694	(991,593)
Interest and Fiscal Charges	1,116,602	0	0	0	(1,116,602)
<i>Total Governmental Activities</i>	<u>\$135,049,088</u>	<u>\$1,246,440</u>	<u>\$32,272,897</u>	<u>\$519,772</u>	<u>(101,009,979)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					20,386,942
					1,955,287
					444,692
					199,538
Grants and Entitlements not					
					82,584,561
					1,451,831
					21,573
					306,099
					334,764
<i>Total General Revenues</i>					<u>107,685,287</u>
Change in Net Position					6,675,308
<i>Net Position Beginning of Year - Restated (See Note 21)</i>					<u>18,017,419</u>
<i>Net Position End of Year</i>					<u>\$24,692,727</u>

See accompanying notes to the basic financial statements

**Youngstown City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2015*

	General	Title I	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$11,615,417	\$411,238	\$3,204,176	\$8,542,938	\$23,773,769
Cash and Cash Equivalents With Fiscal Agents	0	0	0	4,082,585	4,082,585
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	302,328	0	0	0	302,328
Property Taxes Receivable	23,400,309	0	2,215,947	223,903	25,840,159
Accounts Receivable	95,778	0	0	17,000	112,778
Interfund Receivable	7,525,034	0	1,249,000	1,971,081	10,745,115
Intergovernmental Receivable	802,819	4,785,530	0	2,772,402	8,360,751
Prepaid Items	29,895	0	0	0	29,895
Materials and Supplies Inventory	304,155	0	0	36,679	340,834
Inventory Held for Resale	0	0	0	68,398	68,398
<b>Total Assets</b>	<b>\$44,075,735</b>	<b>\$5,196,768</b>	<b>\$6,669,123</b>	<b>\$17,714,986</b>	<b>\$73,656,612</b>
<b>Liabilities</b>					
Accounts Payable	\$276,878	\$81,440	\$0	\$326,617	\$684,935
Contracts Payable	192,925	0	0	0	192,925
Accrued Wages and Benefits	5,711,251	434,661	0	524,825	6,670,737
Interfund Payable	0	2,737,963	0	7,007,152	9,745,115
Intergovernmental Payable	1,406,756	54,108	0	113,492	1,574,356
Matured Compensated Absences Payable	932,176	11,302	0	41,094	984,572
Accrued Interest Payable	0	0	0	38,927	38,927
<b>Total Liabilities</b>	<b>8,519,986</b>	<b>3,319,474</b>	<b>0</b>	<b>8,052,107</b>	<b>19,891,567</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	21,746,469	0	2,059,333	208,078	24,013,880
Unavailable Revenue	1,921,813	2,609,232	156,614	2,500,031	7,187,690
<b>Total Deferred Inflows of Resources</b>	<b>23,668,282</b>	<b>2,609,232</b>	<b>2,215,947</b>	<b>2,708,109</b>	<b>31,201,570</b>
<b>Fund Balances</b>					
Nonspendable	636,378	0	0	36,679	673,057
Restricted	0	0	4,453,176	13,486,063	17,939,239
Committed	318,811	0	0	0	318,811
Assigned	648,049	0	0	0	648,049
Unassigned (Deficit)	10,284,229	(731,938)	0	(6,567,972)	2,984,319
<b>Total Fund Balances</b>	<b>11,887,467</b>	<b>(731,938)</b>	<b>4,453,176</b>	<b>6,954,770</b>	<b>22,563,475</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$44,075,735</b>	<b>\$5,196,768</b>	<b>\$6,669,123</b>	<b>\$17,714,986</b>	<b>\$73,656,612</b>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2015*

<b>Total Governmental Fund Balances</b>		<b>\$22,563,475</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		142,284,601
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	1,826,279	
Grants	<u>5,361,411</u>	
Total		7,187,690
Internal service funds are used by management to charge the costs of insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Net Position	1,644,568	
Claims Payable	<u>236,370</u>	
Total		1,880,938
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(66,985)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	7,695,085	
Deferred Inflows - Pension	(18,267,375)	
Net Pension Liability	<u>(101,666,243)</u>	
Total		(112,238,533)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Classroom Facilities Bonds	(25,779,771)	
Capital Lease	(5,050,000)	
Claims Payable	(236,370)	
Compensated Absences	<u>(5,852,318)</u>	
Total		<u>(36,918,459)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$24,692,727</u></u>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Title I	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$20,504,496	\$0	\$1,967,272	\$645,443	\$23,117,211
Intergovernmental	94,737,054	7,443,014	481,276	11,361,309	114,022,653
Interest	154,073	0	55,692	96,334	306,099
Tuition and Fees	493,742	0	0	301,992	795,734
Extracurricular Activities	38,952	0	0	39,383	78,335
Payment in Lieu of Taxes	1,451,831	0	0	0	1,451,831
Contributions and Donations	21,573	0	0	257,695	279,268
Charges for Services	72,935	0	0	252,395	325,330
Rentals	29,326	0	0	17,715	47,041
Miscellaneous	264,699	0	0	69,895	334,594
<b>Total Revenues</b>	<b>117,768,681</b>	<b>7,443,014</b>	<b>2,504,240</b>	<b>13,042,161</b>	<b>140,758,096</b>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	64,830,461	1,149,103	0	1,602,053	67,581,617
Special	11,076,885	1,998,518	0	1,560,771	14,636,174
Vocational	1,975,576	0	0	138,692	2,114,268
Adult/Continuing	0	0	0	1,255,314	1,255,314
Student Intervention Services	396,408	161,304	0	51,016	608,728
Support Services:					
Pupil	3,393,603	912,777	0	1,027,933	5,334,313
Instructional Staff	3,856,560	2,375,687	0	1,125,572	7,357,819
Board of Education	204,841	0	0	0	204,841
Administration	7,235,266	166,038	0	916,871	8,318,175
Fiscal	1,263,685	111,423	72,876	56,652	1,504,636
Business	967,097	0	0	0	967,097
Operation and Maintenance of Plant	10,339,072	1,054	0	722,631	11,062,757
Pupil Transportation	5,736,411	156,609	0	549,926	6,442,946
Central	1,366,252	0	0	0	1,366,252
Operation of Non-Instructional Services	124,415	677,972	0	2,220,104	3,022,491
Food Service Operation	0	0	0	3,908,260	3,908,260
Extracurricular Activities	474,898	0	0	108,787	583,685
Capital Outlay	0	0	0	78,106	78,106
Debt Service:					
Principal Retirement	0	0	1,475,000	0	1,475,000
Interest and Fiscal Charges	0	0	828,700	43,568	872,268
<b>Total Expenditures</b>	<b>113,241,430</b>	<b>7,710,485</b>	<b>2,376,576</b>	<b>15,366,256</b>	<b>138,694,747</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,527,251</b>	<b>(267,471)</b>	<b>127,664</b>	<b>(2,324,095)</b>	<b>2,063,349</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	85,392	85,392
Transfers Out	(85,392)	0	0	0	(85,392)
<b>Total Other Financing Sources (Uses)</b>	<b>(85,392)</b>	<b>0</b>	<b>0</b>	<b>85,392</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>4,441,859</b>	<b>(267,471)</b>	<b>127,664</b>	<b>(2,238,703)</b>	<b>2,063,349</b>
<b>Fund Balances (Deficit) Beginning of Year</b>	<b>7,445,608</b>	<b>(464,467)</b>	<b>4,325,512</b>	<b>9,193,473</b>	<b>20,500,126</b>
<b>Fund Balances (Deficit) End of Year</b>	<b>\$11,887,467</b>	<b>(\$731,938)</b>	<b>\$4,453,176</b>	<b>\$6,954,770</b>	<b>\$22,563,475</b>

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, 2015*

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**Net Change in Fund Balances - Total Governmental Funds** \$2,063,349

*Amounts reported for governmental activities in the  
statement of activities are different because*

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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	373,520	
Current Year Depreciation	(4,857,917)	
Total		(4,484,397)

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. (131,282)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(130,752)	
Grants	1,096,882	
Total		966,130

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. 1,475,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	606,160	
Claims Payable	84,150	
Total		690,310

The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are 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 funds are allocated among the governmental activities.

Change in Net Position	4,068,284	
Claims Payable	(84,150)	
Total		3,984,134

Contractual required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 6,742,938

Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the statement of activities. (4,386,540)

In the statement of activities, interest is accrued on outstanding bonds, bond accretion, bond premium and loss on refunding are amortized over the term of the bonds, whereas in governmental funds an interest expenditure is reported when due and premiums, and loss on refunding are reported when the bonds are issued.

Accrued Interest	8,023	
Bond Accretion	(46,910)	
Bond Premium Amortization	252,639	
Deferred Charge on Refunding Amortization	(458,086)	
Total		(244,334)

*Change in Net Position of Governmental Activities* \$6,675,308

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*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$20,243,877	\$20,949,188	\$20,949,188	\$0
Intergovernmental	91,479,512	94,666,723	94,846,933	180,210
Interest	161,581	167,211	167,211	0
Tuition and Fees	478,524	495,196	495,196	0
Payment in Lieu of Taxes	1,402,951	1,451,831	1,451,831	0
Contributions and Donations	9,628	9,963	9,963	0
Charges for Services	71,637	74,133	74,133	0
Rentals	14,924	15,444	15,444	0
Miscellaneous	198,031	204,931	204,931	0
<i>Total Revenues</i>	<u>114,060,665</u>	<u>118,034,620</u>	<u>118,214,830</u>	<u>180,210</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	62,882,642	63,210,975	62,997,655	213,320
Special	11,097,927	11,155,828	10,986,420	169,408
Vocational	2,152,928	2,164,160	1,971,059	193,101
Student Intervention Services	389,964	391,740	391,740	0
Support Services:				
Pupil	3,368,883	3,386,459	3,292,232	94,227
Instructional Staff	3,767,834	3,787,492	3,769,928	17,564
Board of Education	240,109	241,362	209,373	31,989
Administration	7,292,192	7,330,237	7,326,380	3,857
Fiscal	1,757,271	1,766,439	1,764,924	1,515
Business	1,001,632	1,006,858	1,004,984	1,874
Operation and Maintenance of Plant	10,668,777	10,724,452	10,586,277	138,175
Pupil Transportation	6,004,011	6,035,335	6,018,524	16,811
Central	1,461,391	1,469,002	1,469,002	0
Operation of Non-Instructional Services	114,804	115,403	114,754	649
Extracurricular Activities	443,989	446,306	444,538	1,768
Debt Service:				
Principal	377,000	389,000	389,000	0
Interest	68,510	55,692	55,692	0
<i>Total Expenditures</i>	<u>113,089,864</u>	<u>113,676,740</u>	<u>112,792,482</u>	<u>884,258</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>970,801</u>	<u>4,357,880</u>	<u>5,422,348</u>	<u>1,064,468</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	610,908	521,720	521,720	0
Advances Out	(784,000)	(7,278,850)	(7,231,382)	47,468
Transfers Out	(85,392)	(85,392)	(85,392)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(258,484)</u>	<u>(6,842,522)</u>	<u>(6,795,054)</u>	<u>47,468</u>
<i>Net Change in Fund Balance</i>	712,317	(2,484,642)	(1,372,706)	1,111,936
<i>Fund Balance Beginning of Year</i>	11,793,900	11,793,900	11,793,900	0
Prior Year Encumbrances Appropriated	470,705	470,705	470,705	0
<i>Fund Balance End of Year</i>	<u>\$12,976,922</u>	<u>\$9,779,963</u>	<u>\$10,891,899</u>	<u>\$1,111,936</u>

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*  
*Title I Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$5,266,716	\$5,266,716	\$5,266,716	\$0
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	266,953	1,104,882	1,104,882	0
Special	600,910	2,176,868	2,176,868	0
Student Intervention Services	84,923	130,408	130,408	0
Support Services:				
Pupil	403,305	890,323	890,323	0
Instructional Staff	1,492,131	2,440,392	2,440,392	0
Administration	461,146	175,479	175,479	0
Fiscal	1,955	111,423	111,423	0
Operation and Maintenance of Plant	13,129	6,917	6,917	0
Pupil Transportation	32,445	211,310	211,310	0
Operation of Non-Instructional Services	1,073,902	927,300	697,614	229,686
<i>Total Expenditures</i>	4,430,799	8,175,302	7,945,616	229,686
<i>Excess of Revenues Over (Under) Expenditures</i>	835,917	(2,908,586)	(2,678,900)	229,686
<b>Other Financing Sources (Uses)</b>				
Advances In	2,115,510	2,595,683	2,595,683	0
Advances Out	(31,000)	(31,000)	(41,720)	(10,720)
<i>Total Other Financing Sources (Uses)</i>	2,084,510	2,564,683	2,553,963	(10,720)
<i>Net Change in Fund Balance</i>	2,920,427	(343,903)	(124,937)	218,966
<i>Fund Balance Beginning of Year</i>	44,732	44,732	44,732	0
Prior Year Encumbrances Appropriated	354,888	354,888	354,888	0
<i>Fund Balance End of Year</i>	\$3,320,047	\$55,717	\$274,683	\$218,966

See accompanying notes to the basic financial statements

**Youngstown City School District**

*Statement of Fund Net Position*

*Internal Service Funds*

*June 30, 2015*

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	<u>Internal Service</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,120,752</u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accrued Wages and Benefits	526
Interfund Payable	1,000,000
Intergovernmental Payable	154,288
Claims Payable	<u>1,144,092</u>
Total Current Liabilities	2,298,906
<i>Long-Term Liabilities</i>	
Claims Payable	<u>177,278</u>
<i>Total Liabilities</i>	<u>2,476,184</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$1,644,568</u></u>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2015*

	Internal Service
<b>Operating Revenues</b>	
Charges for Services	\$18,546,378
Miscellaneous	170
	<u>18,546,548</u>
<i>Total Operating Revenues</i>	<i>18,546,548</i>
<b>Operating Expenses</b>	
Salaries	34,994
Fringe Benefits	263,964
Purchased Services	932,726
Claims	13,246,580
	<u>14,478,264</u>
<i>Total Operating Expenses</i>	<i>14,478,264</i>
<i>Change in Net Position</i>	<i>4,068,284</i>
<i>Net Position Beginning of Year</i>	<i>(2,423,716)</i>
<i>Net Position End of Year</i>	<i>\$1,644,568</i>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Cash Flows*  
*Internal Service Funds*  
For the Fiscal Year Ended June 30, 2015

	Internal Service
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$18,548,495
Other Cash Receipts	170
Cash Payments to Employees for Services and Benefits	(307,219)
Cash Payments for Goods and Services	(1,045,385)
Cash Payments for Claims	(14,018,530)
<i>Net Cash Provided by (Used for) Operating Activities</i>	3,177,531
<b>Cash Flows from Noncapital Financing Activities</b>	
Advances In	1,000,000
Advances Out	(589,811)
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	410,189
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	3,587,720
<i>Cash and Cash Equivalents Beginning of Year</i>	533,032
<i>Cash and Cash Equivalents End of Year</i>	\$4,120,752
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	\$4,068,284
Adjustments:	
(Increase) Decrease in Assets:	
Intergovernmental Receivable	2,117
Increase (Decrease) in Liabilities:	
Accounts Payable	(117,900)
Accrued Wages and Benefits	84
Intergovernmental Payable	(3,104)
Claims Payable	(771,950)
Total Adjustments	(890,753)
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$3,177,531

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$151,500	\$291,066
<b>Liabilities</b>		
Undistributed Monies	0	\$99,801
Due to Students	0	191,265
<i>Total Liabilities</i>	0	\$291,066
<b>Net Position</b>		
Held in Trust for Scholarships	\$151,500	

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Scholarship
<b>Additions</b>	
Contributions and Donations	\$116,224
<b>Deductions</b>	0
<i>Change in Net Position</i>	116,224
<i>Net Position Beginning of Year</i>	35,276
<i>Net Position End of Year</i>	\$151,500

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, 2015*

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**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 402 non-certified employees, 482 certified full-time teaching personnel and 61 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 2015 fiscal year was 5,427. The School District operates six elementary schools, two grades 3 through 8 schools, one early college middle school, two high schools, one vocational school, one early college high school, one alternative school and one community school.

***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.

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 Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments and the Tech Prep Consortium. These organizations are discussed in Note 18 to the basic financial statements.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**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 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 position 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 position 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 funds is eliminated to avoid "doubling up" revenues and expenses.

The statement of net position 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.

***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 funds are 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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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The difference between governmental fund assets and liabilities and deferred inflows of resources 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 and report for all financial resources except those required to be accounted for and reported 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.

**Title I Fund** The title I fund is used to account for and report Federal monies restricted for meeting the special needs of educationally deprived children.

**Bond Retirement Fund** The bond retirement fund is used to account for and report property tax revenues restricted for payment of principal and interest and fiscal charges on general obligation debt.

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

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

**Internal Service Funds** Internal service funds account 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 internal service funds report on self-insurance programs for employee medical, prescription drug, dental and vision claims and workers' compensation.

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net position and changes in net position. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

**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 deferred outflows of resources and current liabilities and deferred inflows of resources 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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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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 funds are 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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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 inflows/outflows of resources 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.

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 7) 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 Outflows/Inflows of Resources***

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

***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.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***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 fund level for all 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, 2015*

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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.

***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 position as "cash and cash equivalents with fiscal agents."

During fiscal year 2015, investments were limited to STAR Ohio, federal home loan bank bonds, federal farm credit bank notes, federal home loan mortgage corporation notes, federal national mortgage association notes, private export funding corporation notes and negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices, or in the case of mutual funds, current share price.

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 net asset value per share which is the price the investment could be sold for on June 30, 2015.

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 2015 amounted to \$154,073, of which \$48,092 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, 2015, 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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***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. Restricted assets in the general fund include resources restricted for unclaimed monies.

***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 position 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 five 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, 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	20 - 40 years
Furniture and Equipment	5 - 10 years
Vehicles	10 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 position.

***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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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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.

For governmental funds, compensated absences are recognized as a liability and expenditure 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 employee who has accumulated unpaid leave is paid.

***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 net pension liability 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 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 Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments adopted by the School District. Net position 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 position are available.

***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:



**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***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.

***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 the highest level 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. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for pupil support services.

***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.

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 fund. For the School District, these revenues are charges for services for self-insurance and workers’ compensation 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.

### ***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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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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 and after non-operating revenues/expenses in the internal service funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***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 – Fund Deficits**

Fund balances at June 30, 2015, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Adult Education	\$671,988
Public Preschool	171,420
Vocational Education Enhancement	8,026
Alternative Schools	23,977
Adult Basic Education	238,344
Race to the Top	75,058
Title VI-B	1,368,338
Vocational Education	140,528
Limited English Proficiency	1,945
Title I	731,938
Preschool for Handicapped	39,613
Reducing Class Size	578,402
Miscellaneous Federal Grants	343,405
<i>Capital Projects Funds:</i>	
Building	1,287,927
Youngstown City Schools Capital Projects	1,619,001

The special revenue funds and the capital projects 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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**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	Title I	Bond Retirement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Prepays	\$29,895	\$0	\$0	\$0	\$29,895
Materials and Supplies Inventory	304,155	0	0	36,679	340,834
Unclaimed Monies	302,328	0	0	0	302,328
<b><i>Total Nonspendable</i></b>	<b>636,378</b>	<b>0</b>	<b>0</b>	<b>36,679</b>	<b>673,057</b>
<b><i>Restricted for</i></b>					
Food Service Operations	0	0	0	1,448,255	1,448,255
Student Enrichment	0	0	0	456,566	456,566
Classroom Facilities Maintenance	0	0	0	4,793,131	4,793,131
Athletics	0	0	0	102,133	102,133
Non-Public Schools	0	0	0	450,919	450,919
Educational Management					
Information Systems	0	0	0	19,800	19,800
Entry Year Programs	0	0	0	200	200
Leadership Programs	0	0	0	2,628	2,628
Debt Service Payments	0	0	4,453,176	0	4,453,176
Capital Improvements	0	0	0	6,212,431	6,212,431
<b><i>Total Restricted</i></b>	<b>0</b>	<b>0</b>	<b>4,453,176</b>	<b>13,486,063</b>	<b>17,939,239</b>
<b><i>Committed to</i></b>					
Educational Service Center Services	26,670	0	0	0	26,670
Busing Services	37,466	0	0	0	37,466
Bus Purchase	168,768	0	0	0	168,768
Audit Services	11,250	0	0	0	11,250
Student Services	34,555	0	0	0	34,555
Other Purposes	40,102	0	0	0	40,102
<b><i>Total Committed</i></b>	<b>318,811</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>318,811</b>
<b><i>Assigned to</i></b>					
Purchases on Order					
Salaries and Fringe Benefits	191,683	0	0	0	191,683
Purchased Services	266,594	0	0	0	266,594
Materials and Supplies	119,161	0	0	0	119,161
Capital Outlay and Other	2,352	0	0	0	2,352
Pupil Support Services	68,259	0	0	0	68,259
<b><i>Total Assigned</i></b>	<b>648,049</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>648,049</b>
<b><i>Unassigned (Deficit)</i></b>	<b>10,284,229</b>	<b>(731,938)</b>	<b>0</b>	<b>(6,567,972)</b>	<b>2,984,319</b>
<b><i>Total Fund Balances (Deficit)</i></b>	<b>\$11,887,467</b>	<b>(\$731,938)</b>	<b>\$4,453,176</b>	<b>\$6,954,770</b>	<b>\$22,563,475</b>

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 5 - 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 the major special revenue fund. 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. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements, but is reported on the operating statements prepared using GAAP.
4. Investments are reported at cost (budget) rather than fair value (GAAP).
5. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
6. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
7. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

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 fund.

Net Change in Fund Balance		
	General	Title I
GAAP Basis	\$4,441,859	(\$267,471)
Revenue Accruals	432,520	(2,176,298)
Advances In	521,720	2,595,683
Ending Unrecorded Cash	61,373	0
Beginning Fair Value Adjustment		
for Investments	(112,116)	0
Ending Fair Value Adjustment		
for Investments	115,647	0
Expenditure Accruals	1,516,130	(98,576)
Perspective Difference:		
Public School Support	13,965	0
Advances Out	(7,231,382)	(41,720)
Encumbrances	(1,132,422)	(136,555)
Budget Basis	(\$1,372,706)	(\$124,937)

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 6 - 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.

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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**Deposits**

**Custodial Credit Risk** 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, \$6,526,167 of the School District's bank balance of \$10,891,363 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 FDIC.

The School District has no deposit policy for custodial credit 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.

**Investments**

Investments are reported at fair value. As of June 30, 2015, the School District had the following investments:

	Fair Value	Maturity	Standard & Poor's Rating	Percentage of Total Investments
STAR Ohio	\$79,807	Average 53.4 Days	AAAm	N/A
Federal Home Loan Bank Bonds	2,020,367	Less than one year	AAA	10.11%
Federal Home Loan Bank Bonds	4,263,734	Less than four years	AAA	21.33
Federal Farm Credit Bank Notes	3,001,500	Less than four years	AAA	15.02
Federal Home Loan Mortgage Corporation Notes	5,741,829	Less than four years	AAA	28.73
Federal National Mortgage Association Notes	2,378,018	Less than four years	AAA	11.90
Private Export Funding Corporation Notes	166,911	Less than four years	AAA	N/A
Negotiable Certificats of Deposit	737,946	Less than one year	N/A	N/A
Negotiable Certificats of Deposit	<u>1,595,294</u>	More than one year	N/A	7.98
Total	<u>\$19,985,406</u>			

**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. Repurchase agreements are limited to 30 days and the market value of the underlying securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Credit Risk** The negotiable certificates of deposit are unrated. 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 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2015, are available to finance fiscal year 2015 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 and public utility property taxes which are measurable as of June 30, 2015, and for which there is 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 and 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 inflows of resources – property taxes.

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, 2015 or June 30, 2014.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second - Half Collections		2015 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$447,942,640	88.11%	\$430,124,720	87.37%
Public Utility	60,462,660	11.89	62,160,990	12.63
Total Assessed Value	\$508,405,300	100.00%	\$492,285,710	100.00%
Tax rate per \$1,000 of assessed valuation	\$63.00		\$63.00	

**Note 8 - Contingencies**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of the enrollment adjustments to the June 30, 2015 Foundation funding for the School District, therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

***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, 2015*

**Note 9 - Receivables**

Receivables at June 30, 2015, consisted of taxes, accounts (contributions and donations and miscellaneous), 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 property taxes are expected to be collected within one year. Property taxes include some portion of delinquencies that will not be collected within one year.

	Taxes Receivable	Estimated Uncollectible	Net Receivable
Property Taxes	\$40,764,475	\$14,924,316	\$25,840,159

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Governmental Activities</i>	
Title I Grants	\$4,785,530
Title VI-B Grants	1,321,776
SERS Overpayment Refunds	538,359
21st Century Grants	289,237
Reducing Class Size Grants	212,471
Vocational Education Grants	209,401
Adult Basic Education Grants	199,232
Public Preschool Grants	155,627
E-Rate Reimbursement	151,913
FY 2015 JV 20 Foundation Adjustment	118,381
Federal Lunch and Breakfast Reimbursement	110,806
Preschool for Handicapped Grants	57,364
Miscellaneous State Grants	47,821
Limited English Proficiency Grants	42,173
Mahoning County Educational Service Center	33,339
Medicaid Reimbursement	32,020
Alternative Schools Grants	23,977
Mahoning County High School	17,830
Vocational Educational Enhancement Grants	8,026
Youngstown Schools After School Alliance	5,336
Refund from City of Youngstown	132
<i>Total Governmental Activities</i>	<b>\$8,360,751</b>

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

<b>Governmental Activities</b>	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
<b>Capital Assets not being Depreciated:</b>				
Land	\$1,002,781	\$0	\$0	\$1,002,781
<b>Capital Assets being Depreciated:</b>				
Buildings and Improvements	187,705,770	88,905	(138,191)	187,656,484
Furniture and Equipment	23,648,964	60,635	0	23,709,599
Vehicles	3,482,355	223,980	0	3,706,335
<b>Total Capital Assets being Depreciated</b>	<b>214,837,089</b>	<b>373,520</b>	<b>(138,191)</b>	<b>215,072,418</b>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(43,855,048)	(4,390,744)	6,909	(48,238,883)
Furniture and Equipment	(22,846,069)	(155,241)	0	(23,001,310)
Vehicles	(2,238,473)	(311,932)	0	(2,550,405)
<b>Total Accumulated Depreciation</b>	<b>(68,939,590)</b>	<b>(4,857,917) *</b>	<b>6,909</b>	<b>(73,790,598)</b>
<b>Total Assets being Depreciated, Net Governmental Activities Capital Assets, Net</b>	<b>\$145,897,499</b>	<b>(\$4,484,397)</b>	<b>(131,282)</b>	<b>141,281,820</b>
	<b>\$146,900,280</b>	<b>(\$4,484,397)</b>	<b>(\$131,282)</b>	<b>\$142,284,601</b>

\*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$2,183,237
Special	452,513
Vocational	47,883
Support Services:	
Pupil	204,736
Instructional Staff	270,014
Board of Education	89
Administration	376,217
Fiscal	286
Business	7,441
Operation and Maintenance of Plant	298,055
Pupil Transportation	299,844
Central	5,329
Operation of Non-Instructional Services	129,093
Food Service Operation	25,445
Extracurricular Activities	557,735
<b>Total Depreciation Expense</b>	<b>\$4,857,917</b>

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 11 - 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 2015, the School District contracted with the L. Calvin Jones and Company for catastrophic property insurance. The catastrophic property policy has a current replacement value in the amount of \$276,097,437 and \$20,000,000 per occurrence limit with a \$75,000 deductible.

Fleet insurance is provided by Ohio Casualty Insurance Company with a \$1,000 comprehensive and a \$1,000 collision deductible for buses and a \$500 comprehensive and a \$250 collision deductible for maintenance vehicles.

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.

\$50,000 performance bonds are maintained for the board president, superintendent, and chief of operations; a \$250,000 bond is maintained for the treasurer. These bonds are maintained by L. Calvin Jones and 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 2015, the School District paid the State Workers' Compensation System a minimum premium based on a rate of .009979 per \$100 of salaries.

The balance of claims payable at June 30, 2015 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 \$236,370 at June 30, 2015, 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 fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$340,660	\$244,421	\$264,561	\$320,520
2015	320,520	124,028	208,178	236,370

**Youngstown City School District**  
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***Employee Health Benefits***

The School District is self-insured for medical, prescription drug, dental and vision insurance. Anthem administers the medical insurance, dental and vision plans for all certified and non-certified employees and administrators. Medical Mutual administers the prescription drug program. Specific stop-loss coverage has been purchased at \$225,000 for each employee. The administrators review all claims which are paid by the School District.

The claims liability of \$1,085,000 reported in the internal service fund at June 30, 2015 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 2014 and 2015 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$1,654,600	\$16,136,021	\$16,017,821	\$1,772,800
2015	1,772,800	13,122,552	13,810,352	1,085,000

**Note 12 – Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
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the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

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The School District's contractually required contribution to SERS was \$1,871,581 for fiscal year 2015. Of this amount \$41,473 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become

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disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$4,871,357 for fiscal year 2015. Of this amount \$618,018 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$23,843,316	\$77,822,927	\$101,666,243
Proportion of the Net Pension Liability	0.471124%	0.31995006%	
Pension Expense	\$1,398,296	\$2,988,244	\$4,386,540

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$202,932	\$749,215	\$952,147
School District contributions subsequent to the measurement date	<u>1,871,581</u>	<u>4,871,357</u>	<u>6,742,938</u>
Total Deferred Outflows of Resources	<u>\$2,074,513</u>	<u>\$5,620,572</u>	<u>\$7,695,085</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$3,869,838</u>	<u>\$14,397,537</u>	<u>\$18,267,375</u>

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\$6,742,938 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$916,214)	(\$3,412,080)	(\$4,328,294)
2017	(916,214)	(3,412,080)	(4,328,294)
2018	(916,214)	(3,412,081)	(4,328,295)
2019	(918,264)	(3,412,081)	(4,330,345)
Total	(\$3,666,906)	(\$13,648,322)	(\$17,315,228)

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.



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The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$34,017,328	\$23,843,316	\$15,286,095

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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$111,412,005	\$77,822,927	\$49,417,871

**Note 13 – Postemployment Benefits**

***School Employees Retirement System***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$231,964.

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The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$348,405, \$251,949 and \$239,093, respectively. For fiscal year 2015, 97.78 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$330,829 and \$351,076 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 14 - Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators 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, 300 days for certified employees and 275 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 fifty-five percent of accumulated sick leave up to 170 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.

***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.

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**Note 15 - Interfund Transactions**

***Interfund Transfers***

The general fund transferred \$85,392 to the athletics special revenue fund to help provide funding for fiscal year 2015.

***Interfund Balances***

Interfund Payable	Interfund Receivable			Total
	General	Bond Retirement	Other Governmental Funds	
<i>Major Fund:</i>				
Title I	\$2,737,963	\$0	\$0	\$2,737,963
<i>Other Governmental Funds:</i>				
Adult Education	950,000	0	0	950,000
Public Preschool	108,400	0	0	108,400
Vocational Education Enhancement	8,986	0	0	8,986
Alternative Schools	29,524	0	0	29,524
Adult Basic Education	234,859	0	0	234,859
Race to the Top	140,415	0	0	140,415
Title VI-B	1,344,554	0	0	1,344,554
Vocational Education	211,817	0	0	211,817
Limited English Proficiency	948	0	0	948
Preschool for Handicapped	32,374	0	0	32,374
Reducing Class Size	352,340	0	0	352,340
Miscellaneous Federal Grants	372,854	0	0	372,854
Building	0	1,249,000	0	1,249,000
YCS Capital Projects	0	0	1,971,081	1,971,081
<i>Total Other Governmental Funds</i>	<u>3,787,071</u>	<u>1,249,000</u>	<u>1,971,081</u>	<u>7,007,152</u>
<i>Internal Service Fund:</i>				
Self Insurance	1,000,000	0	0	1,000,000
<i>Total All Funds</i>	<u><u>\$7,525,034</u></u>	<u><u>\$1,249,000</u></u>	<u><u>\$1,971,081</u></u>	<u><u>\$10,745,115</u></u>

Interfund receivables/payables of \$6,493,662 between the general fund and the title I and various other special revenue funds are due to the timing of the receipt of grant monies. The general fund provides temporary funding of the programs until the grant dollars are received. The interfund receivable/payable of \$1,000,000 between the general fund and the self insurance internal service fund was made to provide temporary funding until the receipt of charges for services. The interfund receivable/payable of \$1,971,081 between the classroom facilities capital projects fund and the YCS capital projects fund was made to provide temporary funding until the receipt of donations for the stadium project.

Interfund receivables and payables of \$31,372 were due to transportation costs charged to the general fund that are to be reimbursed by the various special revenue programs.

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An interfund receivable/payable in the amount of \$1,249,000 was reported at June 30 between the debt service fund and the building capital projects fund. The interfund transaction between the debt service fund and the building capital projects fund is manuscript bonds. The manuscript bonds were issued by the School District on April 27, 2011 and purchased by the debt service fund as an investment. The manuscript bonds will mature on August 1 of the years 2013 through 2017, and they bear a 3.40 percent annual interest rate.

Changes in manuscript debt of the School District during fiscal year 2015 were as follows:

	Outstanding June 30, 2014	Additions	Deletions	Outstanding June 30, 2015
Manuscript Bonds:				
Bus Acquisition, Series 2011	\$1,638,000	\$0	\$389,000	\$1,249,000

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

Fiscal Year ending June 30	Manuscript Bonds - Bus Acquisition	
	Principal	Interest
2016	\$403,000	\$42,466
2017	416,000	28,764
2018	430,000	14,620
	\$1,249,000	\$85,850

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**Note 16 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<b>General Obligation Bonds</b>					
2005 Classroom Facilities Bonds					
Serial Bonds	\$1,395,000	\$0	\$1,340,000	\$55,000	\$0
Unamortized Premium	570,196	0	38,868	531,328	0
Total 2005 Classroom Facilities Bonds	<u>1,965,196</u>	<u>0</u>	<u>1,378,868</u>	<u>586,328</u>	<u>0</u>
2012 Classroom Facilities Refunding Bonds					
Serial Bonds	14,570,000	0	15,000	14,555,000	1,395,000
Unamortized Premium	1,413,370	0	150,093	1,263,277	0
Total 2012 Classroom Facilities Refunding Bonds	<u>15,983,370</u>	<u>0</u>	<u>165,093</u>	<u>15,818,277</u>	<u>1,395,000</u>
2013 Classroom Facilities Refunding Bonds					
Serial Bonds	7,435,000	0	120,000	7,315,000	125,000
Capital Appreciation Bonds	444,988	0	0	444,988	0
Accretion on Bonds	57,597	46,910	0	104,507	0
Term Bonds	720,000	0	0	720,000	0
Unamortized Premium	854,349	0	63,678	790,671	0
Total 2013 Classroom Facilities Refunding Bonds	<u>9,511,934</u>	<u>46,910</u>	<u>183,678</u>	<u>9,375,166</u>	<u>125,000</u>
Total General Obligation Bonds	<u>27,460,500</u>	<u>46,910</u>	<u>1,727,639</u>	<u>25,779,771</u>	<u>1,520,000</u>
<b>Other Long-term Obligations</b>					
Net Pension Liability					
STRS	92,702,162	0	14,879,235	77,822,927	0
SERS	28,016,232	0	4,172,916	23,843,316	0
Total Net Pension Liability	<u>120,718,394</u>	<u>0</u>	<u>19,052,151</u>	<u>101,666,243</u>	<u>0</u>
Capital Lease Payable	5,050,000	0	0	5,050,000	0
Claims Payable	320,520	124,028	208,178	236,370	59,092
Compensated Absences	6,458,478	1,395,693	2,001,853	5,852,318	984,572
Total Other Long-term Obligations	<u>132,547,392</u>	<u>1,519,721</u>	<u>21,262,182</u>	<u>112,804,931</u>	<u>1,043,664</u>
<b>Total Governmental Activities</b>	<u>\$160,007,892</u>	<u>\$1,566,631</u>	<u>\$22,989,821</u>	<u>\$138,584,702</u>	<u>\$2,563,664</u>

The classroom facilities bonds will be paid with property taxes from the debt service fund. The State workers' compensation claims payable will be paid from the workers' compensation fund. The capital leases will be paid from the 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, 2027. The bonds were issued at a premium of \$932,964. On December 20, 2012 and February 20, 2013, a portion of the serial bonds were retired by the School District through an advance refunding. Serial bonds of \$55,000 remained outstanding at June 30, 2015.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

On December 20, 2012, the School District issued \$14,610,000 in general obligation serial bonds to refund a portion of the 2005 classroom facilities bonds. The bonds were issued for an eleven year period with a final maturity at December 1, 2023. The bonds will be retired from the debt service fund.

On February 20, 2013, the School District issued \$8,779,988 in general obligation bonds to refund a portion of the 2005 classroom facilities bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$7,615,000, \$720,000 and \$444,988, respectively. The bonds were issued for a fifteen year period with a final maturity at December 1, 2027. The bonds will be retired from the debt service fund.

The maturity amount of outstanding capital appreciation bonds at June 30, 2015 is \$1,665,000. The accretion recorded for fiscal year 2015 was \$46,910, for a total outstanding bond liability of \$549,495 at June 30, 2015.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the general fund, and the food service, adult education, auxiliary services, public preschool, adult basic education, title VI-B, vocational education, title I, preschool for handicapped and reducing class size special revenue funds. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall debt margin was \$25,668,902 with an unvoted debt margin of \$492,286 at June 30, 2015. Principal and interest requirements to retire the classroom facilities bonds are as follows:

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$0	\$15,300	\$1,520,000	\$766,350	\$0	\$0
2017	0	15,300	1,565,000	721,326	0	0
2018	0	15,300	1,615,000	667,525	0	0
2019	0	15,300	1,680,000	604,326	0	0
2020	140,000	13,813	1,605,000	539,975	0	0
2021-2025	580,000	24,968	9,295,000	1,677,772	0	0
2026-2028	0	0	4,645,000	185,408	444,988	1,220,012
Total	<u>\$720,000</u>	<u>\$99,981</u>	<u>\$21,925,000</u>	<u>\$5,162,682</u>	<u>\$444,988</u>	<u>\$1,220,012</u>



**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 17 – 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 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. At June 30, 2015, the market value of the escrow account with fiscal agent is \$4,082,585. 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.

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
2016	\$32,825
2017	32,825
2018	32,825
2019	32,825
2020	32,825
2021	5,082,825
Total Minimum Lease Payments	5,246,950
Less: Amount Representing Interest	(196,950)
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
2016	\$0	\$32,825	\$382,104	\$414,929
2017	0	32,825	0	32,825
2018	0	32,825	0	32,825
2019	0	32,825	0	32,825
2020	0	32,825	0	32,825
2021	5,050,000	32,825	0	5,082,825
Total	\$5,050,000	\$196,950	\$382,104	\$5,629,054

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 18 - Jointly Governed Organizations**

***Area Cooperative Computerized Educational Service System Council of Governments***

The Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments 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. The degree of control exercised by any participating school district is limited to its representation on the Board. Each of the governments of these schools supports ACCESS based upon a per pupil charge before any e-rate credits, which was \$44.75 for fiscal year 2015. Youngstown City School District paid \$79,678 to ACCESS during fiscal year 2015. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Youngstown, Ohio 44512.

***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. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District did not contribute any amounts to the Tech Prep Consortium during fiscal year 2015.

**Note 19 - 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 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 capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	895,163
Offsets	(2,303,700)
Qualifying Disbursements	(1,384,196)
Total	(\$2,792,733)
Set-Aside Balance as of June 30, 2015 and Carried Forward to Future Fiscal Years	\$0

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

**Note 20 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$1,132,422
Title I	136,555
Other Governmental Funds	689,810
Internal Service Funds	595
Total	\$1,959,382

**Note 21 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported at June 30, 2014:

Net Position June 30, 2014	\$132,612,350
Adjustments:	
Net Pension Liability	(120,718,394)
Deferred Outflow - Payments Subsequent to Measurement Date	6,123,463
Restated Net Position June 30, 2014	\$18,017,419

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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## Required Supplementary Information

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**Youngstown City School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the*  
*Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2014	2013
School District's Proportion of the Net Pension Liability	0.471124%	0.471124%
School District's Proportionate Share of the Net Pension Liability	\$23,843,316	\$28,016,232
School District's Covered-Employee Payroll	\$13,739,579	\$13,775,992
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	173.54%	203.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Youngstown City School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the*  
*Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Fiscal Years (1)*

	2014	2013
School District's Proportion of the Net Pension Liability	0.31995006%	0.31995006%
School District's Proportionate Share of the Net Pension Liability	\$77,822,927	\$92,702,162
School District's Covered-Employee Payroll	\$32,455,057	\$35,107,600
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	239.79%	264.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Youngstown City School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,871,581	\$1,904,306	\$1,906,597	\$1,984,215
Contributions in Relation to the Contractually Required Contribution	<u>(1,871,581)</u>	<u>(1,904,306)</u>	<u>(1,906,597)</u>	<u>(1,984,215)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$14,200,157	\$13,739,579	\$13,775,992	\$14,752,528
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%



2011	2010	2009	2008	2007	2006
\$1,797,761	\$1,826,132	\$1,501,500	\$1,481,977	\$1,817,634	\$1,816,903
<u>(1,797,761)</u>	<u>(1,826,132)</u>	<u>(1,501,500)</u>	<u>(1,481,977)</u>	<u>(1,817,634)</u>	<u>(1,816,903)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$14,301,998	\$13,486,941	\$15,259,142	\$15,091,419	\$17,019,045	\$17,172,996
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**Youngstown City School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$4,871,357	\$4,219,157	\$4,563,988	\$4,979,520
Contributions in Relation to the Contractually Required Contribution	<u>(4,871,357)</u>	<u>(4,219,157)</u>	<u>(4,563,988)</u>	<u>(4,979,520)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$34,795,407	\$32,455,057	\$35,107,600	\$38,304,000
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$5,032,368	\$4,956,110	\$5,128,318	\$5,563,307	\$6,095,674	\$6,858,599
<u>(5,032,368)</u>	<u>(4,956,110)</u>	<u>(5,128,318)</u>	<u>(5,563,307)</u>	<u>(6,095,674)</u>	<u>(6,858,599)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$38,710,523	\$38,123,923	\$39,448,600	\$42,794,669	\$46,889,800	\$52,758,454
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>UNITED STATES DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Nutrition Cluster:</i>					
<i>Non-Cash Assistance (Food Distribution):</i>					
National School Lunch Program	10.555		\$ 206,506		\$ 206,506
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$ 1,025,693		\$ 1,025,693	
National School Lunch Program	10.555	2,117,373		2,117,373	
Total Nutrition Cluster		3,143,066	206,506	3,143,066	206,506
Fresh Fruit and Vegetable Program	10.582	156,340		156,340	
Total U.S. Department of Agriculture		3,299,406	206,506	3,299,406	206,506
<b><u>UNITED STATES DEPARTMENT OF DEFENSE</u></b>					
<i>Direct Program:</i>					
Junior Reserve Officer Training Corp	12.000	52,060		52,060	
<b><u>UNITED STATES DEPARTMENT OF EDUCATION</u></b>					
<i>Direct Programs:</i>					
<i>Student Financial Aid Cluster:</i>					
Federal Pell Grant Program	84.063	92,927		92,927	
Federal Direct Student Loans	84.268	273,953		273,953	
Subtotal - Student Financial Aid Cluster		366,880		366,880	
<i>Passed Through Ohio Board of Regents:</i>					
Adult Education-Basic Grants to States	84.002	375,333		468,418	
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education-Grants to States (IDEA, Part B)	84.027	1,196,284		2,667,473	
Special Education-Preschool Grants	84.173	94,562		109,631	
Subtotal - Special Education Cluster		1,290,846		2,777,104	
<i>Title 1, Part A Cluster:</i>					
Title I Grants to Local Educational Agencies (Title 1, Part A)	84.010	5,038,030		7,602,098	
<i>School Improvement Grants Cluster:</i>					
School Improvement Grants (Title 1, Part G of the ESEA)	84.377	182,756		131,333	
Career and Technical Education - Basic Grants to States	84.048	198,012		326,153	
<i>Homeless Assistance Cluster:</i>					
Education for Homeless Children and Youth	84.196	45,928		77,449	
Twenty-First Century Community Learning Centers	84.287	514,193		665,498	
English Language Acquisition Grants (Title III)	84.365	34,327		34,466	
Improving Teacher Quality State Grants (Title II-A)	84.367	1,468,438		1,790,056	
ARRA - Race-to-the-Top Incentive Grants, Recovery Act (Education Stabilization Fund)	84.395	-		24,776	
<b>Total U.S. Department of Education</b>		<b>9,514,743</b>		<b>14,264,231</b>	
<b>Total Federal Awards Receipts and Expenditures</b>		<b>\$ 12,866,209</b>	<b>\$ 206,506</b>	<b>\$ 17,615,697</b>	<b>\$ 206,506</b>

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

**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Youngstown City School District's (the District's) 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 AUDITOR'S 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 44503

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 21, 2016.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-002 and 2015-003 described in the accompanying schedule of findings to be significant deficiencies.

***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, opining 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*.

***District's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 21, 2016





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 44503

To the Board of Education:

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

We have audited the Youngstown City School District's (the District) compliance with the applicable 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 the Youngstown City School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Youngstown City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 21, 2016

**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Pell Grant & Student Loan (CFDA #84.063 & 84.268) Title I (CFDA # 84.010) Improving Teacher Quality (CFDA #84.367)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 534,674 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2015-001**

**Cash Reconciliation – Material Weakness**

The reconciliation of the accounting records of the District to the cash and investment (bank) balances is the most basic and primary control process performed by the fiscal officer of an organization. Lack of completing an accurate and timely reconciliation allows for accounting errors, theft and fraud to occur without timely detection. The Treasurer is responsible for reconciling the District's book (fund) balance to the total bank balance on a monthly basis.

**FINDING NUMBER 2015-001  
(Continued)**

During our examination of the District's cash reconciliation process, we identified the following concerns:

- There were \$74,804 in adjustments from fiscal years 2012 and 2013, which were noted in the previous audit and repeated for this audit period.
- We noted voided payroll checks in 17 out of 26 payroll periods.
- There was a \$310,154 in Anthem premium correction that was misposted to the ledgers.
- The Piper Jaffray investment account was being held by the District at \$20,087,533 and the confirmation came back at \$19,971,886, a difference of \$115,647. The District only includes interest to the account on a monthly basis and doesn't take into consideration realized gains/losses on investments that were held to maturity. Also, service fees should be accounted for on a monthly basis.
- The payroll account reconciliation had a \$1,236 unexplained difference.

The net effect of these errors resulted in the District's depository balances exceeding cash fund balances by an initial amount of \$287,936. After additional follow-up procedures were performed by the District, the amount of adjustment to reconcile was \$49 depository balances exceeding cash fund balances.

The District's lack of control procedures over the cash reconciliation process attributed to the errors noted above.

The Treasurer should maintain all bank statements and supporting documentation used to prepare the monthly cash reconciliations. The District should continue to investigate their financial records to determine the origin of the variance, and take corrective action to help ensure this situation does not occur in the future. Also, the District should review the monthly statements for the Piper Jaffray account and properly account for this investment.

**Official's Response:**

See corrective action plan

**FINDING NUMBER 2015-002**

**Property Tax Receipt Posting - Significant Deficiency**

Sound financial reporting is the responsibility of District management and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate.

The District does not have controls in place to help ensure:

- The financial information submitted is accurate in all material respects and that all necessary disclosures were made.
- The internal control structure and procedures provide reasonable assurance as to the proper recording of financial transactions and balances.
- Management evaluated the effectiveness of the internal control structure over the financial information.

As a result, the District incorrectly posted a property tax receipt to the Classroom Facilities Maintenance (Fund 034) in the amount \$158,000. This should have been posted to the Bond Retirement (Fund 002) for that same amount of \$158,000. The District adjusted the financial statements to include the amounts above and also updated the fund balances on the computer system to reflect this posting.

**FINDING NUMBER 2015-002  
(Continued)**

In addition, the District posted a receipt totaling \$57,300 to fund 012 instead of fund 501. This receipt was for the College Readiness and Access grant. The financial statements do not reflect this adjustment.

We recommend the District implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

**Official's Response:**

See corrective action plan.

**FINDING NUMBER 2015-003**

**Advance to the YCS Capital Projects Fund (Formerly Rayen Stadium Fund)– Significant Deficiency**

Though no statutory provisions directly address inter-fund advances, the following requirements are in part derived from Ohio Rev. Code §: 5705.10 (restriction on the purpose for which funds may be used); 5705.14, 5705.15, and 5705.16 (transfer of funds); 5705.39 (appropriations limited to estimated resources); 5705.41 (restriction on appropriation/ expenditure of money); and 5705.36 (certification of available revenue).

AOS Bulletin 97-003 sets forth the following requirements for inter-fund advances and provides additional guidance for recording such transactions.

Inter-fund cash advances are subject to the following requirements:

1. Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances on the other hand, are intended to **temporarily** reallocate cash from one fund to another and involve an expectation of repayment;
2. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
3. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
4. Advances must be approved by a formal resolution of the taxing authority of the subdivision.

**FINDING NUMBER 2015-003  
(Continued)**

AOS Bulletin 97-003 goes on to state that if, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer, the necessary formal procedures for approval of the transfer should be completed, the transfer should be formally recorded on the records of the subdivision and the entries recording the cash advance should be reversed to, in effect, repay the advance with the proceeds of the transfer.

The District does not have control policies or procedures in place to address repayment of advances which can lead to improper presentation of advances on the financial statements. During fiscal year 2012, the District advanced \$2,011,081 from the Classroom Facilities Fund (010) to the YCS/Rayen Stadium Fund (070). While this was clearly labeled an advance, and was approved by the Board of Education through formal resolution, \$1,971,081 of this "advance" has not yet been returned to the originating fund, and there are restrictions on the use of the money advanced from the Classroom Facilities Fund. The YCS/Rayen Stadium Fund does not have funds available to return the advanced monies to the Classroom Facilities Fund, with a fund balance of only \$352,600, and there is no known stream of revenue that will significantly increase this balance.

The District should establish control policies and procedures regarding repayment of advances and the circumstances under which advances will be converted to transfers. Additionally, the District should consult an attorney regarding the appropriate way to resolve the advance from the Classroom Facilities fund to the YCS/Rayen Stadium Fund since repayment is unlikely and conversion to a transfer might not be allowable due to the restrictions placed on Classroom Facilities funds.

**Official's Response:**

See corrective action plan.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**None**

**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	During testing over the cash reconciliation at the District several errors were noted.	No	Repeat for the current audit, see Finding # 2015-001
2014-002	The District incorrectly posted a property tax receipt in the amount totaling \$161,991.	No	Repeat for the current audit, see Finding # 2015-002
2014-003	The District failed to file its June 30, 2013 data collection form and reporting package by March 31, 2014.	Yes	

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**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**CORRECTIVE ACTION PLAN  
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	<p>The district continues to make steady progress in this area. In FY 2013 the unreconciled amount was \$1,422,180. In FY 2014 it was \$3,493. In FY 2015 it was \$49. Since May 2014 the district has kept up to date on monthly bank reconciliations. In other words, every posting error that was discovered since then, was corrected in the following month. The only exception were the old errors from fiscal year 2013. This includes the \$310,154 mentioned in this report. In addition, the new Treasurer plans to make changes that will improve the process even more.</p> <p>In response to the Piper Jaffray Investment Account, the district does review the statements on a monthly basis. The district has used book value as opposed to market value for its accounting method. We would be happy to switch methods and would appreciate some guidance from the Auditor's Office so that the market value method is done correctly.</p> <p>In response to voided payroll checks, progress is being made. In the previous audit there was 20 out of 26 as compared to 17 out of 26 in this audit. Also, in September 2015, the processing lag was increased from one week to two weeks which allows more time for review and should result in even fewer voids in FY 2016.</p>	<p>April 2016 the Board will be asked to write off the adjustment from 2012 and 2013 (\$74,804)</p> <p>By June of 2016</p> <p>On-going</p>	Sherry Tyson, Treasurer
2015-002	The district will correct these postings as soon as these errors are identified.	Immediately	Sherry Tyson, Treasurer
2015-003	The District is awaiting an opinion from its Bond Counsel regarding the allowable uses of the local share of the unused OSFC funds. He has verbally stated that the second of two bond issues would permit the funds to be used for construction projects such as stadiums.	April 2016 the Board will be asked to make the advances permanent transfers	Sherry Tyson, 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  
APRIL 12, 2016**