



Dave Yost • Auditor of State



**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Youngstown City School District, Mahoning County, Ohio (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Youngstown City School District, Mahoning County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipt and Expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipt and Expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

April 20, 2012

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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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, 2011. 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 2011 fiscal year are as follows:

- Current assets increased in fiscal year 2011 due to increases in cash and cash equivalents as well as increases in intergovernmental receivables resulting from additional grant money.
- In fiscal year 2011, the Ohio Schools Facilities Commission (OSFC) recalculated the amount of grant monies that the School District should have received for its various projects. The OSFC determined that the School District had received excess monies of \$11,000,000 that had to be repaid. This amount was recorded as a liability at June 30, 2011.
- Outstanding general obligation bonded debt decreased during fiscal year 2011 due to annual debt payments.
- Program expenses increased due to increases in instructional expenses due to the spending of additional grant money.

### **Using this Annual Financial Report**

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

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

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

#### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include current property tax laws in Ohio restricting revenue growth, facility conditions, the School District's performance, required educational programs, demographic and socio-economic factors, the willingness of the community to support the School District and other factors.

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

### **Reporting the School District's Most Significant Funds**

#### *Fund Financial Statements*

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

#### *Governmental Funds*

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

#### *Proprietary Funds*

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

#### *Fiduciary Funds*

The School District is the trustee, or fiduciary, for its college scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts as an agent for individuals, private organizations and/or other governmental units. These activities are reported in agency funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.



**Youngstown City School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011  
Unaudited

**The School District as a Whole**

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2011 compared to 2010:

**Table 1**  
Net Assets  
Governmental Activities

	2011	2010	Change
<b>Assets</b>			
Current and Other Assets	\$71,930,311	\$64,134,369	\$7,795,942
Capital Assets, Net	156,595,449	158,783,173	(2,187,724)
<b>Total Assets</b>	<b>228,525,760</b>	<b>222,917,542</b>	<b>5,608,218</b>
<b>Liabilities</b>			
Current Liabilities	48,024,041	38,528,003	(9,496,038)
Long-Term Liabilities			
Due Within One Year	1,964,936	1,789,778	(175,158)
Due in More Than One Year	42,667,443	44,619,249	1,951,806
<b>Total Liabilities</b>	<b>92,656,420</b>	<b>84,937,030</b>	<b>(7,719,390)</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	121,222,546	124,225,722	(3,003,176)
Restricted for:			
Capital Projects	6,616,679	19,037,016	(12,420,337)
Debt Service	3,861,669	4,372,459	(510,790)
Other Purposes	12,527,568	10,234,777	2,292,791
Unrestricted (Deficit)	(8,359,122)	(19,889,462)	11,530,340
<b>Total Net Assets</b>	<b>\$135,869,340</b>	<b>\$137,980,512</b>	<b>(\$2,111,172)</b>

Current assets increased mainly due to an increase in cash and cash equivalents and intergovernmental receivables. The increase in intergovernmental receivables is due to the School District being awarded ARRA and education jobs grants. The decrease in capital assets was due to an additional year of depreciation. This decrease was partially offset by current year additions to the Wilson Middle School building, the purchase of 37 buses and various furniture and equipment additions.

Total liabilities increased during fiscal year 2011 which can be attributed to an \$11,000,000 liability for excess OSFC monies received in prior years. This was reported as a special item. The increase in total liabilities was partially offset by annual payments on the School District's general obligation bonds and the payoff of the solvency assistance advance payable.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Table 2 shows the changes in net assets from fiscal year 2011 to 2010.

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

	2011	2010	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,670,727	\$1,988,622	(\$317,895)
Operating Grants and Contributions	34,425,016	27,675,796	6,749,220
Capital Grants and Contributions	414,933	542,141	(127,208)
<i>Total Program Revenues</i>	<u>36,510,676</u>	<u>30,206,559</u>	<u>6,304,117</u>
General Revenues			
Property Taxes	21,148,432	21,843,061	(694,629)
Grants and Entitlements	84,525,885	86,129,362	(1,603,477)
Investment Earnings	92,504	124,913	(32,409)
Miscellaneous	744,062	497,467	246,595
<i>Total General Revenues</i>	<u>106,510,883</u>	<u>108,594,803</u>	<u>(2,083,920)</u>
<i>Total Revenues</i>	<u>\$143,021,559</u>	<u>\$138,801,362</u>	<u>\$4,220,197</u>

(continued)

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

	2011	2010	Change
<b>Program Expenses</b>			
Instruction:			
Regular	\$61,461,836	\$60,012,702	(\$1,449,134)
Special	15,667,096	14,491,836	(1,175,260)
Vocational	3,219,051	3,095,170	(123,881)
Adult/Continuing	330,816	449,503	118,687
Student Intervention Services	1,913,992	2,785,108	871,116
Support Services:			
Pupil	6,240,351	6,490,710	250,359
Instructional Staff	9,820,904	10,153,971	333,067
Board of Education	502,420	431,763	(70,657)
Administration	6,691,503	6,417,194	(274,309)
Fiscal	1,819,997	1,471,069	(348,928)
Business	746,879	888,581	141,702
Operation and Maintenance of Plant	11,642,937	11,356,341	(286,596)
Pupil Transportation	5,946,743	5,276,537	(670,206)
Central	977,922	806,512	(171,410)
Operation of Non-Instructional Services	1,708,035	1,780,691	72,656
Food Service Operation	3,321,341	3,960,917	639,576
Extracurricular Activities	845,370	409,966	(435,404)
Interest and Fiscal Charges	1,275,538	1,343,186	67,648
<i>Total Program Expenses</i>	<u>134,132,731</u>	<u>131,621,757</u>	<u>(2,510,974)</u>
<b>Special Item</b>			
Repayment of excess OSFC monies	<u>(11,000,000)</u>	<u>0</u>	<u>(11,000,000)</u>
<i>Increase in Net Assets</i>	(2,111,172)	7,179,605	(9,290,777)
Net Assets Beginning of Year	<u>137,980,512</u>	<u>130,800,907</u>	<u>7,179,605</u>
Net Assets End of Year	<u><u>\$135,869,340</u></u>	<u><u>\$137,980,512</u></u>	<u><u>(\$2,111,172)</u></u>

**Governmental Activities**

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

Program expenses increased due to increases in instruction and support services resulting from contracted salary increases.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

During fiscal year 2011 the primary sources of revenue for governmental activities were derived from property taxes and grants and entitlements. Real estate property is revalued every six years. The Board of Education's policy to disallow 100 percent abatements has resulted in minor growth in real estate valuation. House Bill 920, enacted in 1976, does not allow real property tax revenue to increase because of inflationary growth in the value of real property. Increases in valuation of carry-over property prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. New construction in the School District is not subject to the reduction factors of HB920. These increases, though, are usually offset by decreases in valuation caused by the economic condition of the area. These conditions have resulted in business closings, property abandonment, demolitions, and valuation appeals from existing property owners seeking to reduce their taxes usually by claiming market value decreases resulting from area economic forces.

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

<u>Property Growth - Last Ten Years</u>		
<u>Calendar Year</u>	<u>Total Valuation</u>	<u>Growth Rate</u>
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	(2.19)
2004	670,122,208	3.50
2003	647,474,020	(0.10)
2002	648,128,280	(1.12)
2001	655,454,960	

The average rate of growth over the last 10 years is (1.23) 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.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program Expenses</b>				
Instruction:				
Regular	\$61,461,836	(\$49,227,261)	\$60,012,702	(\$52,771,070)
Special	15,667,096	(10,362,669)	14,491,836	(11,215,165)
Vocational	3,219,051	(1,923,946)	3,095,170	(2,135,561)
Adult/Continuing	330,816	193,576	449,503	(44,467)
Student Intervention Services	1,913,992	(1,427,392)	2,785,108	(1,169,959)
Support Services:				
Pupil	6,240,351	(3,261,423)	6,490,710	(3,680,844)
Instructional Staff	9,820,904	(4,488,871)	10,153,971	(5,115,209)
Board of Education	502,420	(502,420)	431,763	(427,577)
Administration	6,691,503	(5,553,710)	6,417,194	(5,283,255)
Fiscal	1,819,997	(1,343,051)	1,471,069	(1,307,100)
Business	746,879	(746,879)	888,581	(878,650)
Operation and Maintenance of Plant	11,642,937	(11,099,261)	11,356,341	(9,844,285)
Pupil Transportation	5,946,743	(4,985,453)	5,276,537	(4,076,398)
Central	977,922	(936,625)	806,512	(762,833)
Operation of Non-Instructional Services	1,708,035	(104)	1,780,691	(351,862)
Food Service Operation	3,321,341	111,488	3,960,917	(666,625)
Extracurricular Activities	845,370	(792,516)	409,966	(341,152)
Interest and Fiscal Charges	1,275,538	(1,275,538)	1,343,186	(1,343,186)
<i>Total</i>	<u>\$134,132,731</u>	<u>(\$97,622,055)</u>	<u>\$131,621,757</u>	<u>(\$101,415,198)</u>

**The School District's Funds**

Information about the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance as revenues continued to outpace expenditures. Despite a decrease in revenues, the School District managed to keep expenditures under revenues. The bond retirement fund had a decrease in fund balance due to the continuation of making principal and interest payments on outstanding obligations. The classroom facilities capital projects fund had a decrease in fund balance due to an \$11,000,000 liability for the repayment of excess OSFC monies received. The decrease was also due to expenditures from the construction and remodeling of several school buildings outpacing revenues in fiscal year 2011.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

	2011	2010	Change
<b>Revenues</b>			
Property Taxes	\$19,549,832	\$20,101,536	(\$551,704)
Intergovernmental	84,105,254	85,396,735	(1,291,481)
Interest	74,949	91,222	(16,273)
Other Revenues	828,887	1,480,986	(652,099)
<i>Total</i>	<u>\$104,558,922</u>	<u>\$107,070,479</u>	<u>(\$2,511,557)</u>
<b>Expenditures</b>			
Instruction	\$63,233,261	\$66,904,668	\$3,671,407
Support Services	32,093,788	30,068,198	(2,025,590)
Operation of Non-Instructional Services	9,430	7,149	(2,281)
Extracurricular Activities	283,214	294,897	11,683
Capital Outlay	20,831	5,257	(15,574)
Debt Service	48,933	78,960	30,027
<i>Total</i>	<u>\$95,689,457</u>	<u>\$97,359,129</u>	<u>(\$1,669,672)</u>

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2011, the School District amended its general fund budget numerous times.

For the general fund, the final budget basis revenue was lower than the original budget estimate. The change was attributed mainly to decreases in estimates for property taxes, intergovernmental and tuition and fees revenues due to the overall poor economy.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in estimates for instructional services and debt service requirements.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**Capital Assets and Debt Administration**

*Capital Assets*

The following table shows fiscal 2011 balances compared to 2010.

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

	2011	2010	Change
Land	\$1,002,781	\$1,002,781	\$0
Construction in Progress	0	11,357,672	(11,357,672)
Buildings and Improvements	152,670,857	144,392,378	8,278,479
Furniture and Equipment	1,192,548	1,721,558	(529,010)
Vehicles	1,729,263	308,784	1,420,479
<i>Total Capital Assets</i>	<u>\$156,595,449</u>	<u>\$158,783,173</u>	<u>(\$2,187,724)</u>

Capital assets decreased during fiscal year 2011 due to an additional year of depreciation. This decrease was partially offset by current year additions to the Wilson Middle School building, the purchase of 37 buses and various furniture and equipment additions. For more information about the School District's capital assets, see Note 11 to the basic financial statements.

*Debt*

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

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

	2011	2010	Change
Classroom Facilities Bonds	\$29,371,800	\$30,590,668	(\$1,218,868)
Capital Leases	5,050,000	5,050,000	0
Claims	277,782	109,782	168,000
Compensated Absences	9,932,797	10,658,577	(725,780)
Total	<u>\$44,632,379</u>	<u>\$46,409,027</u>	<u>(\$1,776,648)</u>

The classroom facilities bonds were issued in March 2005 for the construction of new schools. The bonds will be paid using tax revenue from the debt service fund. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2027. For additional information on long-term obligations see Note 18 to the basic financial statements.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*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.

Youngstown City School District has committed itself to financial reporting excellence for many years. The School District received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting from fiscal year 2000 through fiscal year 2005. The School District did not participate in this program for fiscal years 2006 through 2011. The School District chose not to prepare a Comprehensive Annual Financial Report as a cost saving measure.

**Contacting the School District's Financial Management Personnel**

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



## **Basic Financial Statements**

**Youngstown City School District**

*Statement of Net Assets*

*June 30, 2011*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$35,122,008
Cash and Cash Equivalents With Fiscal Agents	2,073,050
Accounts Receivable	27,435
Intergovernmental Receivable	8,994,292
Prepaid Items	29,447
Inventory Held for Resale	51,900
Materials and Supplies Inventory	300,781
Property Taxes Receivable	24,993,001
Deferred Charges	338,397
Nondepreciable Capital Assets	1,002,781
Depreciable Capital Assets, net	<u>155,592,668</u>
<i>Total Assets</i>	<u>228,525,760</u>
<b>Liabilities</b>	
Accounts Payable	1,222,442
Contracts Payable	138,316
Accrued Wages and Benefits	6,778,575
Intergovernmental Payable	13,513,338
Matured Compensated Absences Payable	680,490
Deferred Revenue	23,440,551
Accrued Interest Payable	138,529
Claims Payable	2,111,800
Long-Term Liabilities:	
Due Within One Year	1,964,936
Due In More Than One Year	<u>42,667,443</u>
<i>Total Liabilities</i>	<u>92,656,420</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	121,222,546
Restricted for:	
Capital Projects	6,616,679
Debt Service	3,861,669
Other Purposes	12,527,568
Unrestricted (Deficit)	<u>(8,359,122)</u>
<i>Total Net Assets</i>	<u><u>\$135,869,340</u></u>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$61,461,836	\$395,056	\$11,424,586	\$414,933	(\$49,227,261)
Special	15,667,096	91,550	5,212,877	0	(10,362,669)
Vocational	3,219,051	875,671	419,434	0	(1,923,946)
Adult/Continuing	330,816	0	524,392	0	193,576
Student Intervention Services	1,913,992	9,624	476,976	0	(1,427,392)
Support Services:					
Pupil	6,240,351	58,185	2,920,743	0	(3,261,423)
Instructional Staff	9,820,904	0	5,332,033	0	(4,488,871)
Board of Education	502,420	0	0	0	(502,420)
Administration	6,691,503	0	1,137,793	0	(5,553,710)
Fiscal	1,819,997	0	476,946	0	(1,343,051)
Business	746,879	0	0	0	(746,879)
Operation and Maintenance of Plant	11,642,937	11,664	532,012	0	(11,099,261)
Pupil Transportation	5,946,743	0	961,290	0	(4,985,453)
Central	977,922	0	41,297	0	(936,625)
Operation of Non-Instructional Services	1,708,035	0	1,707,931	0	(104)
Food Service Operation	3,321,341	176,423	3,256,406	0	111,488
Extracurricular Activities	845,370	52,554	300	0	(792,516)
Interest and Fiscal Charges	1,275,538	0	0	0	(1,275,538)
<i>Total Governmental Activities</i>	<u>\$134,132,731</u>	<u>\$1,670,727</u>	<u>\$34,425,016</u>	<u>\$414,933</u>	<u>(97,622,055)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					19,514,163
					1,434,822
					199,447
Grants and Entitlements not Restricted to Specific Programs:					
					84,241,410
					284,475
Investment Earnings					92,504
Miscellaneous					744,062
<i>Total General Revenues</i>					106,510,883
<b>Special Item</b>					
Repayment of excess OSFC monies					(11,000,000)
<i>Total General Revenues and Special Item</i>					95,510,883
Change in Net Assets					(2,111,172)
<i>Net Assets Beginning of Year (Restated - See Note 3)</i>					137,980,512
<i>Net Assets End of Year</i>					\$135,869,340

See accompanying notes to the basic financial statements

**Youngstown City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	General	Bond Retirement	Classroom Facilities
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,001,762	\$0	\$14,915,016
Cash and Cash Equivalents With Fiscal Agents	0	0	2,073,050
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	139,539	0	0
Property Taxes Receivable	23,068,041	1,686,858	0
Accounts Receivable	0	0	0
Interfund Receivable	822,897	4,660,000	0
Intergovernmental Receivable	208,157	0	0
Prepaid Items	29,447	0	0
Materials and Supplies Inventory	229,903	0	0
Inventory Held for Resale	0	0	0
<i>Total Assets</i>	<u>\$32,499,746</u>	<u>\$6,346,858</u>	<u>\$16,988,066</u>
<b>Liabilities</b>			
Accounts Payable	\$269,069	\$0	\$0
Contracts Payable	36,572	0	56,512
Accrued Wages and Benefits	5,620,494	0	0
Interfund Payable	2,645,000	77,782	0
Intergovernmental Payable	2,059,348	0	11,000,000
Matured Compensated Absences Payable	655,721	0	0
Accrued Interest Payable	23,144	0	0
Deferred Revenue	23,276,024	1,686,858	0
<i>Total Liabilities</i>	<u>34,585,372</u>	<u>1,764,640</u>	<u>11,056,512</u>
<b>Fund Balances</b>			
Nonspendable	259,350	0	0
Restricted	139,539	4,582,218	5,931,554
Committed	21,283	0	0
Assigned	111,195	0	0
Unassigned (Deficit)	(2,616,993)	0	0
<i>Total Fund Balances (Deficit)</i>	<u>(2,085,626)</u>	<u>4,582,218</u>	<u>5,931,554</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$32,499,746</u>	<u>\$6,346,858</u>	<u>\$16,988,066</u>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2011*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Fund Balances</b>	\$14,203,823
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$8,712,117	\$31,628,895	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	156,595,449
0	2,073,050	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
0	139,539	Property Taxes	1,552,450
238,102	24,993,001	Grants	<u>6,816,615</u>
27,435	27,435		
0	5,482,897	Total	8,369,065
8,786,135	8,994,292	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,098,850
0	29,447		
70,878	300,781	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(103,865)
51,900	51,900		
<u>\$17,886,567</u>	<u>\$73,721,237</u>	In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	338,397
\$816,273	\$1,085,342	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
45,232	138,316	Classroom Facilities Bonds	(29,371,800)
1,155,806	6,776,300	Capital Lease	(5,050,000)
2,760,115	5,482,897	Claims Payable	(277,782)
450,441	13,509,789	Compensated Absences	<u>(9,932,797)</u>
24,769	680,490		
11,520	34,664	Total	<u>(44,632,379)</u>
6,846,734	31,809,616	<i>Net Assets of Governmental Activities</i>	<u>\$135,869,340</u>
<u>12,110,890</u>	<u>59,517,414</u>		
122,778	382,128		
9,786,536	20,439,847		
0	21,283		
0	111,195		
(4,133,637)	(6,750,630)		
<u>5,775,677</u>	<u>14,203,823</u>		
<u>\$17,886,567</u>	<u>\$73,721,237</u>		

**Youngstown City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Bond Retirement	Classroom Facilities
<b>Revenues</b>			
Property Taxes	\$19,549,832	\$1,448,939	\$0
Intergovernmental	84,105,254	284,475	414,933
Interest	74,949	0	17,555
Tuition and Fees	514,705	0	0
Extracurricular Activities	58,185	0	0
Contributions and Donations	62,134	0	0
Charges for Services	0	0	0
Rentals	11,664	0	0
Miscellaneous	182,199	0	480,849
<i>Total Revenues</i>	<u>104,558,922</u>	<u>1,733,414</u>	<u>913,337</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	48,469,716	0	0
Special	11,318,734	0	0
Vocational	2,289,898	0	0
Adult/Continuing	0	0	0
Student Intervention Services	1,154,913	0	0
Support Services:			
Pupil	3,603,967	0	0
Instructional Staff	4,469,237	0	0
Board of Education	501,528	0	0
Administration	5,400,977	0	0
Fiscal	1,355,162	39,322	0
Business	747,822	0	0
Operation and Maintenance of Plant	10,729,903	0	0
Pupil Transportation	4,387,506	0	0
Central	897,686	0	0
Operation of Non-Instructional Services	9,430	0	0
Operation of Food Services	0	0	0
Extracurricular Activities	283,214	0	0
Capital Outlay	20,831	0	1,260,030
Debt Service:			
Principal Retirement	0	1,180,000	0
Interest and Fiscal Charges	48,933	1,017,919	219,832
<i>Total Expenditures</i>	<u>95,689,457</u>	<u>2,237,241</u>	<u>1,479,862</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>8,869,465</u>	<u>(503,827)</u>	<u>(566,525)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	0	0
Transfers Out	(42,696)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(42,696)</u>	<u>0</u>	<u>0</u>
<b>Special Item</b>			
Repayment of excess OSFC monies	0	0	(11,000,000)
<i>Net Change in Fund Balances</i>	8,826,769	(503,827)	(11,566,525)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(10,912,395)</u>	<u>5,086,045</u>	<u>17,498,079</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$2,085,626)</u>	<u>\$4,582,218</u>	<u>\$5,931,554</u>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

Other Governmental Funds	Total Governmental Funds		
		<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$7,156,713)
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$201,318	\$21,200,089	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:	
29,672,189	114,476,851	Capital Outlay	3,851,514
3,000	95,504	Depreciation	<u>(5,771,955)</u>
832,517	1,347,222	Total	(1,920,441)
55,129	113,314	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.	(267,283)
123,368	185,502	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
198,527	198,527	Property Taxes	(51,657)
0	11,664	Grants	<u>4,700,481</u>
72,595	735,643	Total	4,648,824
31,158,643	138,364,316	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets.	1,180,000
		Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represents contractually required pension contributions), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
11,236,445	59,706,161	Claims Payable	(168,000)
4,240,014	15,558,748	Compensated Absences	<u>725,780</u>
932,335	3,222,233	Total	557,780
306,523	306,523	The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated of the internal service fund is allocated among the governmental activities.	823,995
740,420	1,895,333	In the statement of activities, interest is accrued on outstanding bonds, bond premium and bond issuance cost are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued:	
2,433,868	6,037,835	Accrued Interest	2,950
4,835,705	9,304,942	Amortization of Issuance Costs	(19,152)
0	501,528	Bond Premium Amortization	<u>38,868</u>
1,074,241	6,475,218	Total	<u>22,666</u>
430,472	1,824,956	<i>Change in Net Assets of Governmental Activities</i>	<u>(\$2,111,172)</u>
2,484	750,306		
688,249	11,418,152		
907,340	5,294,846		
44,666	942,352		
1,538,868	1,548,298		
3,350,543	3,350,543		
93,042	376,256		
2,247,734	3,528,595		
0	1,180,000		
11,520	1,298,204		
35,114,469	134,521,029		
(3,955,826)	3,843,287		
42,696	42,696		
0	(42,696)		
42,696	0		
0	(11,000,000)		
(3,913,130)	(7,156,713)		
9,688,807	21,360,536		
\$5,775,677	\$14,203,823		

**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, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$20,270,000	\$19,549,832	\$19,549,832	\$0
Intergovernmental	85,876,153	84,520,187	84,520,187	0
Interest	87,800	74,949	74,949	0
Tuition and Fees	706,180	538,910	538,910	0
Extracurricular Activities	59,805	58,732	58,732	0
Contributions and Donations	42,759	62,134	62,134	0
Rentals	17,330	11,664	11,664	0
Miscellaneous	274,684	274,749	274,749	0
<i>Total Revenues</i>	<u>107,334,711</u>	<u>105,091,157</u>	<u>105,091,157</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	45,472,246	47,987,781	47,987,781	0
Special	11,064,125	11,309,599	11,309,599	0
Vocational	2,005,157	2,219,504	2,219,504	0
Student Intervention Services	2,342,012	1,161,530	1,161,530	0
Support Services:				
Pupil	3,448,353	3,634,437	3,628,885	5,552
Instructional Staff	3,931,279	4,514,959	4,514,959	0
Board of Education	248,857	544,873	544,873	0
Administration	5,407,293	5,409,829	5,405,774	4,055
Fiscal	1,673,366	1,767,805	1,767,805	0
Business	954,322	742,447	742,447	0
Operation and Maintenance of Plant	12,767,645	10,485,419	10,485,419	0
Pupil Transportation	4,148,105	4,608,972	4,608,972	0
Central	891,077	884,418	884,418	0
Operation of Non-Instructional Services	1,443	10,000	10,000	0
Extracurricular Activities	77,918	304,428	304,428	0
Capital Outlay	9,400	22,671	22,671	0
Debt Service:				
Principal	1,322,500	2,822,500	2,822,500	0
Interest	59,513	59,513	59,513	0
<i>Total Expenditures</i>	<u>95,824,611</u>	<u>98,490,685</u>	<u>98,481,078</u>	<u>9,607</u>
<i>Excess of Revenues Over Expenditures</i>	<u>11,510,100</u>	<u>6,600,472</u>	<u>6,610,079</u>	<u>9,607</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	875,501	875,501	875,501	0
Transfers Out	0	(42,696)	(42,696)	0
<i>Total Other Financing Sources (Uses)</i>	<u>875,501</u>	<u>832,805</u>	<u>832,805</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	12,385,601	7,433,277	7,442,884	9,607
<i>Fund Balance Beginning of Year</i>	1,321,822	1,321,822	1,321,822	0
Prior Year Encumbrances Appropriated	30,153	30,153	30,153	0
<i>Fund Balance End of Year</i>	<u>\$13,737,576</u>	<u>\$8,785,252</u>	<u>\$8,794,859</u>	<u>\$9,607</u>

See accompanying notes to the basic financial statements



**Youngstown City School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2011*

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	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,353,574</u>
<b>Liabilities</b>	
Accounts Payable	137,100
Accrued Wages and Benefits	2,275
Intergovernmental Payable	3,549
Claims Payable	<u>2,111,800</u>
<i>Total Liabilities</i>	<u>2,254,724</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$1,098,850</u></u>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2011*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$14,635,830
Miscellaneous	8,419
<i>Total Operating Revenues</i>	14,644,249
<b>Operating Expenses</b>	
Salaries	43,633
Fringe Benefits	54,706
Purchased Services	814,534
Claims	12,907,381
<i>Total Operating Expenses</i>	13,820,254
<i>Change in Net Assets</i>	823,995
<i>Net Assets Beginning of Year</i>	274,855
<i>Net Assets End of Year</i>	\$1,098,850

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2011

	Insurance
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$14,635,830
Other Cash Receipts	8,419
Cash Payments to Employees for Services and Benefits	(92,515)
Cash Payments for Goods and Services	(690,776)
Cash Payments for Claims	(13,187,781)
<i>Net Increase in Cash and Cash Equivalents</i>	673,177
<i>Cash and Cash Equivalents Beginning of Year</i>	2,680,397
<i>Cash and Cash Equivalents End of Year</i>	\$3,353,574
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$823,995
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts Payable	137,100
Contracts Payable	(13,342)
Accrued Wages and Benefits	2,275
Intergovernmental Payable	3,549
Claims Payable	(280,400)
Total Adjustments	(150,818)
<i>Net Cash Provided by Operating Activities</i>	\$673,177

See accompanying notes to the basic financial statements

**Youngstown City School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2011*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$239,964	\$247,457
<b>Liabilities</b>		
Undistributed Monies	0	\$67,794
Due to Students	0	179,663
<i>Total Liabilities</i>	0	\$247,457
<b>Net Assets</b>		
Held in Trust for Scholarships	\$239,964	

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Scholarship
<b>Additions</b>	
Contributions and Donations	\$54,273
<b>Deductions</b>	
Scholarships Awarded	8,116
<i>Change in Net Assets</i>	46,157
<i>Net Assets Beginning of Year</i>	193,807
<i>Net Assets End of Year</i>	\$239,964

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, 2011*

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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 410 non-certified employees, 643 certified full-time teaching personnel (including teachers funded through ARRA) and 33 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 2011 fiscal year was 6,095. The School District operates seven elementary schools, five middle/junior high schools, two high schools, one vocational school, one early college high school, one alternative school and one community school.

***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 Access Council of Governments and the Tech Prep Consortium. These organizations are discussed in Note 20 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
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reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

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

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**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.

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

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

The other governmental funds of the School District account for grants and other resources whose 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 asset, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

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

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

**Measurement Focus**

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

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



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

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

***Basis of Accounting***

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***Budgetary Data***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue reflects actual revenue for the fiscal year.

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

***Cash and Cash Equivalents***

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

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

During fiscal year 2011, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

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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 2011 amounted to \$74,949, of which \$51,973 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, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Inventory***

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

***Restricted Assets***

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

***Capital Assets***

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back trending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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Description	Estimated Lives
Buildings and Improvements	40 years
Furniture and Equipment	5 - 10 years
Vehicles	10 years
Textbooks	5 years

***Interfund Balances***

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

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

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 contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

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***Bond Issuance Costs***

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

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

***Bond Premium***

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

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for instruction, support services, operation of non-instructional services, food service operations and extracurricular activities.

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

***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously

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commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

***Operating Revenues and Expenses***

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

***Interfund Activity***

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

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2011, the Ohio Schools Facilities Commission (OSFC) determined that the School District had received excess monies of \$11,000,000 that had to be repaid. The School District repaid this amount in July of 2011. At June 30, 2011, the amount was recorded as a liability and the expenditure was shown as a special item.

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***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 – Change in Accounting Principles and Restatement of Prior Year Net Assets**

***Change in Accounting Principles***

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 59, “Financial Instruments Omnibus”. GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

***Restatement of Prior Year Net Assets***

During fiscal year 2011, it was determined that intergovernmental receivables were overstated at June 30, 2010. In fiscal year 2011, the Ohio Schools Facilities Commission (OSFC) recalculated the amount of grant monies that the School District should have received for its various projects. Due to this recalculation, the School District no longer has an estimated receivable for OSFC grant monies.

During fiscal year 2011, it was also determined that depreciable capital assets were overstated at June 30, 2010. In fiscal year 2011, the School District chose to no longer include textbooks as part of capital assets and therefore the net book value for textbooks was removed. In addition, buildings and improvements capital assets were determined to be overstated.

	<u>Governmental Activities</u>
Net Assets, June 30, 2010	\$148,480,158
Intergovernmental Receivable - Change in estimate	(4,878,252)
Depreciable Capital Assets, Net	<u>(5,621,394)</u>
Adjusted Net Assets, June 30, 2010	<u><u>\$137,980,512</u></u>

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**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	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Prepays	\$29,447	\$0	\$0	\$0	\$29,447
Inventory	229,903	0	0	122,778	352,681
<b><i>Total Nonspendable</i></b>	<b>259,350</b>	<b>0</b>	<b>0</b>	<b>122,778</b>	<b>382,128</b>
<b><i>Restricted for</i></b>					
Unclaimed Monies	139,539	0	0	0	139,539
Food Service Operations	0	0	0	1,214,327	1,214,327
Adult Education	0	0	0	955,670	955,670
Student Enrichment	0	0	0	578,064	578,064
Classroom Facilities Maintenance	0	0	0	4,006,454	4,006,454
Athletics	0	0	0	122,161	122,161
Non-Public Schools	0	0	0	330,489	330,489
Educational Management					
Information Systems	0	0	0	8,250	8,250
Vocational/Alternative Schools	0	0	0	19,399	19,399
Leadership Programs	0	0	0	35,509	35,509
Instructional Services	0	0	0	1,761,502	1,761,502
Limited English Proficiency	0	0	0	13,645	13,645
Drug Abuse Education	0	0	0	8,289	8,289
Education Reform	0	0	0	47,652	47,652
Debt Service Payments	0	4,582,218	0	0	4,582,218
Capital Improvements	0	0	5,931,554	685,125	6,616,679
<b><i>Total Restricted</i></b>	<b>139,539</b>	<b>4,582,218</b>	<b>5,931,554</b>	<b>9,786,536</b>	<b>20,439,847</b>
<b><i>Committed to</i></b>					
Other Purposes	21,283	0	0	0	21,283
<b><i>Assigned to</i></b>					
Other Purposes	111,195	0	0	0	111,195
<b><i>Unassigned (Deficit)</i></b>	<b>(2,616,993)</b>	<b>0</b>	<b>0</b>	<b>(4,133,637)</b>	<b>(6,750,630)</b>
<b><i>Total Fund Balances</i></b>	<b>(\$2,085,626)</b>	<b>\$4,582,218</b>	<b>\$5,931,554</b>	<b>\$5,775,677</b>	<b>\$14,203,823</b>



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**Note 5 – Fund Deficits**

Fund balances at June 30, 2011, included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
General Fund	\$2,085,626
<i>Special Revenue Funds:</i>	
Public School Preschool	35,751
Summer Intervention	492
Title VI-B	1,075,877
Vocational Education	41,478
Title II-D	71,005
Title I	572,121
Preschool Grant	25,270
Reducing Class Size	300,149
<i>Capital Projects Fund:</i>	
Building	2,011,494

Management is currently analyzing the general fund to determine appropriate steps to alleviate the deficit.

The special revenue funds and the capital projects fund 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 the special revenue funds and provides transfers when cash is required, not when accruals occur.

**Note 6 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statement prepared using GAAP.
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$8,826,769
Revenue Accruals	448,176
Advances In	875,501
Beginning Unrecorded Cash	84,059
Expenditure Accruals	(2,636,170)
Encumbrances	(155,451)
Budget Basis	\$7,442,884

**Note 7 - Deposits and Investments**

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

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

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

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

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;

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,841,815 of the School District's bank balance of \$8,141,435 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

**Investments**

As of June 30, 2011, the School District had STAR Ohio as the only investment with an amount of \$28,545,823 and a maturity of 58.3 days.

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

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

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 8 - 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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 become a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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 revenue.

Due to the timing of tax bills sent by the County, there was no money available as an advance to the School District at June 30, 2011 or June 30, 2010.

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
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	2010 Second - Half Collections		2011 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$550,812,230	91.83%	\$530,133,790	91.79%
Public Utility	45,291,160	7.55	47,393,010	8.21
Tangible Personal Property	3,724,300	0.62	0	0.00
Total Assessed Value	<u>\$599,827,690</u>	<u>100.00%</u>	<u>\$577,526,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$60.50		\$60.50	

**Note 9 - Receivables**

Receivables at June 30, 2011, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental. Except for property taxes, receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except for property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

	Taxes Receivable	Estimated Uncollectible	Net Receivable
Property Taxes	<u>\$40,410,647</u>	<u>\$15,417,646</u>	<u>\$24,993,001</u>

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title I Grants	\$3,319,671
Title VI-B Grants	2,866,573
Education Jobs Grants	1,411,499
Food Service Subsidies	387,386
21st Century Grants	323,162
Refund from School Employees Retirement System	207,983
Early Childhood Education Grants	100,084
Title II-D Grants	94,198
Reducing Class Size Grants	87,985
Alternative Schools Grants	64,125
Limited English Proficiency Grants	47,220
Preschool Grants	46,667
Drug Free Grants	31,394
Vocational Education Enhancement Grants	6,171
Tuition Reimbursement	174
Total	<u>\$8,994,292</u>

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2011

**Note 10 - Contingencies**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**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.

**Note 11 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Restated Balance 6/30/2010	Additions	Deductions	Balance 6/30/2011
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,002,781	\$0	\$0	\$1,002,781
Construction in Progress	11,357,672	1,194,589	(12,552,261)	0
<i>Total Nondepreciable Capital Assets</i>	<u>12,360,453</u>	<u>1,194,589</u>	<u>(12,552,261)</u>	<u>1,002,781</u>
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	170,915,085	12,552,261	0	183,467,346
Furniture and Equipment	22,686,205	680,625	0	23,366,830
Vehicles	2,784,914	1,976,300	(1,616,895)	3,144,319
<i>Total Capital Assets being Depreciated</i>	<u>196,386,204</u>	<u>15,209,186</u>	<u>(1,616,895)</u>	<u>209,978,495</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(26,522,707)	(4,273,782)	0	(30,796,489)
Furniture and Equipment	(20,964,647)	(1,209,635)	0	(22,174,282)
Vehicles	(2,476,130)	(288,538)	1,349,612	(1,415,056)
<i>Total Accumulated Depreciation</i>	<u>(49,963,484)</u>	<u>(5,771,955)</u>	<u>1,349,612</u>	<u>(54,385,827)</u>
<i>Total Assets being Depreciated, Net</i>	<u>146,422,720</u>	<u>9,437,231</u>	<u>(267,283)</u>	<u>155,592,668</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$158,783,173</u>	<u>\$10,631,820</u>	<u>(\$12,819,544)</u>	<u>\$156,595,449</u>

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
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Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$2,318,264
Special	485,341
Vocational	97,069
Support Services:	
Pupil	255,474
Instructional Staff	676,115
Board of Education	892
Administration	379,191
Fiscal	2,858
Business	74,411
Operation and Maintenance of Plant	322,172
Pupil Transportation	399,338
Central	53,287
Operation of Non-Instructional Services	195,982
Food Service Operation	40,150
Extracurricular Activities	471,411
Total Depreciation Expense	<u>\$5,771,955</u>

## **Note 12 - Risk Management**

### ***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with the L. Calvin Jones and Company for catastrophic property insurance. The catastrophic policy has a current replacement value in the amount of \$243,840,233 and \$20,000,000 per occurrence limit with a \$75,000 deductible. Professional and Pollution liability is protected by the Lexington Insurance Company providing a \$2,000,000 per claim limit with a \$10,000,000 policy term aggregate. Each claim is subject to a \$100,000 deductible.

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

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
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***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 2011, the School District paid the State Workers' Compensation System a minimum premium based on a rate of .005123 per \$100 of salaries.

The balance of claims payable at June 30, 2011 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 \$277,782 at June 30, 2011, is based on the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2010	\$163,602	\$277,912	\$331,732	\$109,782
2011	109,782	391,832	223,832	277,782

***Employee Health Benefits***

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

The claims liability of \$2,111,800 reported in the internal service fund at June 30, 2011 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 2010 and 2011 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2010	\$2,604,100	\$12,660,218	\$12,872,118	\$2,392,200
2011	2,392,200	12,907,381	13,187,781	2,111,800



**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
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**Note 13 - Pension Plans**

***School Employee Retirement System***

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 and required supplementary information. That report can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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 advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,689,066, \$1,723,631 and \$1,387,056 respectively. For fiscal year 2011, 97.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
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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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$5,032,368 and \$95,378 for the fiscal year ended June 30, 2011, \$4,956,110 and \$83,060 for the fiscal year ended June 30, 2010, and \$5,128,318 and \$72,491 for the fiscal year ended June 30, 2009. For fiscal year 2011, 81.79 percent has been contributed for the DB plan and 81.79 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$63,147 made by the School District and \$45,105 made by the plan members. In addition, member contributions of \$68,127 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

## **Note 14 - Postemployment Benefits**

### ***School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit OPEB plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$212,633 in surcharge.

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
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The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$204,519, \$174,944 and \$634,780 respectively. For fiscal year 2011, 97.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009, were \$108,695, \$108,982 and \$114,444 respectively. For fiscal year 2011, 97.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

***State Teachers Retirement System***

Plan Description – The School District contributes to the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 Ohio which may 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 Ohio. Active employee members do not contribute to the 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$387,105, \$381,239 and \$394,486 respectively. For 2011, 81.79 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal year 2010 and 2009.

**Note 15 - Employee Benefits**

***Compensated Absences***

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

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

**Youngstown City School District**  
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***Life Insurance***

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

**Note 16 - Interfund Transactions**

***Interfund Transfers***

The general fund transferred \$42,696 to the district managed activities special revenue fund to help provide funding for the program in fiscal year 2011.

***Interfund Balances***

	Interfund Receivable
Interfund Payable	General
Bond Retirement	\$77,782
Miscellaneous Local Grants	450
Public School Preschool	23,880
Vocational Education Enhancement	5,403
Alternative Schools	21,736
Title VI-B	568,746
Vocational Education	22,279
Title II-D	67,111
Limited English Proficiency	225
Title I	12,775
Preschool	188
Reducing Class Size	886
Miscellaneous Federal Grants	21,436
<i>Total All Funds</i>	\$822,897

Interfund receivables and payables of \$809,009 were the result of deficit cash balances in the bond retirement fund and the various special revenue funds due to the timing of the receipt of grant monies. The general fund provides temporary funding of the program until the grant dollars are received. Interfund receivables and payables of \$13,888 were due to transportation costs charged to the general fund that are to be reimbursed by the various special revenue programs.

**Youngstown City School District**  
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An interfund receivable/payable in the amount of \$2,645,000 was reported at June 30 between the debt service fund and the general fund. The interfund transaction between the debt service fund and the general fund is manuscript notes. The manuscript notes were issued by the School District on January 28, 2009 and purchased by the debt service fund as an investment. The manuscript notes will mature on December 1 of the years 2009 through 2012, and they bear a 1.50 percent annual interest rate.

An interfund receivable/payable in the amount of \$2,015,000 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 2011 were as follows:

	Outstanding June 30, 2010	Additions	Deletions	Outstanding June 30, 2011
Manuscript Notes:				
Tax Anticipation, Series 2009	\$3,967,500	\$0	\$1,322,500	\$2,645,000
Manuscript Bonds:				
Bus Acquisition, Series 2011	0	2,015,000	0	2,015,000
<b>Total Manuscript Debt</b>	<b>\$3,967,500</b>	<b>\$2,015,000</b>	<b>\$1,322,500</b>	<b>\$4,660,000</b>

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

Fiscal Year ending June 30	Manuscript Notes - Tax Anticipation		Manuscript Bonds - Bus Acquisition	
	Principal	Interest	Principal	Interest
2012	\$1,322,500	\$39,675	\$0	\$0
2013	1,322,500	19,837	0	86,399
2014	0	0	377,000	445,510
2015	0	0	389,000	444,692
2016	0	0	403,000	445,466
2017-2018	0	0	846,000	889,384
	<b>\$2,645,000</b>	<b>\$59,512</b>	<b>\$2,015,000</b>	<b>\$2,311,451</b>

**Youngstown City School District**  
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**Note 17 – Note Debt**

During fiscal year 2009, the School District received an interest free State solvency assistance advance in the amount \$3,000,000. The State solvency assistance advance is paid from the general fund with school foundation revenue.

	Outstanding 6/30/2010	Additions	Deletions	Outstanding 6/30/2011
FY 2009 Solvency Assistance Advance	\$1,500,000	\$0	\$1,500,000	\$0

During fiscal year 2011, the fiscal year 2009 solvency assistance advance was fully retired.

**Note 18 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Amounts Due in One Year
<i>Classroom Facilities Bonds</i>					
Classroom Facilities Bonds Series 2005	\$29,865,000	\$0	\$1,180,000	\$28,685,000	\$1,215,000
Unamortized Premium	725,668	0	38,868	686,800	0
<i>Total Classroom Facilities Bonds</i>	30,590,668	0	1,218,868	29,371,800	1,215,000
Capital Lease Payable	5,050,000	0	0	5,050,000	0
Claims Payable	109,782	391,832	223,832	277,782	69,446
Compensated Absences	10,658,577	131,070	856,850	9,932,797	680,490
<i>Total General Long - Term Obligations</i>	\$46,409,027	\$522,902	\$2,299,550	\$44,632,379	\$1,964,936

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

On March 2, 2005, the School District issued \$35,625,000 in classroom facilities bonds for the construction of new schools. The bonds will be paid using tax revenue from the debt service fund. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2027. The bonds were issued at a premium of \$932,964.

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 school preschool, alternative schools, adult basic education, title VI-B, vocational education, title I, preschool grants, reducing class size and miscellaneous federal grants special revenue funds.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

The School District's overall debt margin was \$23,609,259 with an unvoted debt margin of \$530,134 at June 30, 2011. Principal and interest requirements to retire the classroom facilities bonds are as follows:

Fiscal Year Ended June 30,	Classroom Facilities Bonds	
	Principal	Interest
2012	\$1,215,000	\$1,228,158
2013	1,250,000	1,188,058
2014	1,295,000	1,143,520
2015	1,340,000	1,097,407
2016	1,385,000	1,049,720
2017-2021	7,770,000	4,363,262
2022-2026	9,805,000	2,255,938
2027-2028	4,625,000	198,581
Total	\$28,685,000	\$12,524,644

**Note 19 – Capital Lease**

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

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
2012	\$32,825
2013	32,825
2014	32,825
2015	32,825
2016	32,825
2017-2021	5,214,125
Total Minimum Lease Payments	5,378,250
Less: Amount Representing Interest	(328,250)
Present Value of Minimum Lease Payments	\$5,050,000

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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
2012	\$0	\$32,825	\$382,108	\$414,933
2013	0	32,825	382,108	414,933
2014	0	32,825	382,108	414,933
2015	0	32,825	382,108	414,933
2016	0	32,825	382,104	414,929
2017-2021	5,050,000	164,125	0	5,214,125
	<u>\$5,050,000</u>	<u>\$328,250</u>	<u>\$1,910,536</u>	<u>\$7,288,786</u>

**Note 20 - Jointly Governed Organizations**

*Access Council of Governments*

The Access Council of Governments (COG) is a computer network which provides data services to twenty-six school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge before any e-rate credits, which was \$40.25 for fiscal year 2011. Youngstown City School District paid \$82,848 to COG during fiscal year 2011. COG is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of COG including budgeting, appropriating, contracting and designating management. All of COG revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Youngstown, Ohio 44512.

*Tech Prep Consortium*

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

**Note 21 - Set-Aside Calculations**

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



**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2010	(\$1,598,870)	\$0
Current Year Set-Aside Requirement	964,185	964,185
Offsets	0	(1,180,000)
Qualifying Disbursements	(736,819)	(452,473)
Total	(\$1,371,504)	(\$668,288)
Set-Aside Reserve Balance as of June 30, 2011 and Carried Forward to Future Fiscal Years	\$0	\$0

Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This negative balance is therefore not presented as being carried forward to future fiscal years.

Although the School District had qualifying disbursements 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.

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**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<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		\$ 187,637		\$ 187,637
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$ 864,709		\$ 864,709	
National School Lunch Program	10.555	2,205,587		2,205,587	
Total U.S. Department of Agriculture		3,070,296	187,637	3,070,296	187,637
<b><u>UNITED STATES DEPARTMENT OF DEFENSE</u></b>					
<i>Direct Program:</i>					
Junior Reserve Officer Training Corp	12.000	35,950		35,950	
<b><u>UNITED STATES DEPARTMENT OF LABOR</u></b>					
<i>Direct Program:</i>					
Pathways to Careers	17.269			8,533	
<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	411,068		411,068	
Federal Direct Student Loans	84.268	331,073		331,073	
<i>Subtotal - Student Financial Aid Cluster</i>		742,141		742,141	
<i>Passed Through Ohio Board of Regents:</i>					
Adult Education-Basic Grants to States	84.002	655,224		655,224	
<i>Passed Through Ohio Department of Education.</i>					
<i>Special Education Cluster:</i>					
Special Education_Grants to States (IDEA, Part B)	84.027	2,086,218		2,298,337	
ARRA - Special Education_Grants to States, Recovery Act	84.391	250,123		872,863	
Special Education_Preschool Grants	84.173	137,226		145,064	
ARRA - Special Education_Preschool Grants, Recovery Act	84.392	12,252		21,045	
<i>Subtotal - Special Education Cluster</i>		2,485,819		3,337,309	
<i>Title 1 Cluster:</i>					
Title I Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	6,272,088		6,519,982	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	1,379,106		1,401,997	
School Improvement Grants (Title 1, Part G of the ESEA)	84.377	180,000		91,240	
ARRA - School Improvement Grants, Recovery Act	84.388	1,108,101		1,015,852	
<i>Subtotal - Title 1 Cluster</i>		8,939,295		9,029,071	

YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY

FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>UNITED STATES DEPARTMENT OF EDUCATION (Continued)</b>					
<i>Passed Through Ohio Department of Education.</i>					
Career and Technical Education - Basic Grants to States	84.048	388,021		360,893	
Safe and Drug-Free Schools and Communities - State Grant	84.186	19,778		9,083	
<i>Homeless Assistance Cluster:</i>					
Education for Homeless Children and Youth	84.196	83,657		69,592	
ARRA - Education for Homeless Children and Youth	84.387	30,146		43,803	
<i>Subtotal - Homeless Assistance Cluster</i>		113,803		113,395	
Twenty-First Century Community Learning Centers	84.287	704,182		537,722	
<i>Education Technology Cluster:</i>					
Education Technology State Grants (Title II-D)	84.318	169,562		52,529	
ARRA - Education Technology State Grants, Recovery Act	84.386	139,099		201,862	
<i>Subtotal - Education Technology Cluster</i>		308,661		254,391	
Reading First State Grant	84.357	301,495		264,191	
English Language Acquisition Grants (Title III)	84.365	59,868		43,461	
Improving Teacher Quality State Grants (Title II-A)	84.367	1,825,496		1,871,365	
Education Jobs Fund	84.410	1,300,000		950,000	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (Education Stabilization Fund)	84.395	9,165			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	6,279,293		8,167,359	
<b>Total U.S. Department of Education</b>		24,132,241		26,335,605	
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
<i>Passed Through Ohio Department of Developmental Disabilities.</i>					
Medical Assistance Program	93.778	116,127			
<b>Total Federal Awards Receipts and Expenditures</b>		<b>\$ 27,354,614</b>	<b>\$ 187,637</b>	<b>\$ 29,450,384</b>	<b>\$ 187,637</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 RECEIPT AND EXPENDITURE SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipt and Expenditure 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.

**NOTE E - TRANSFERS BETWEEN PROGRAM YEARS**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with the Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers.

During fiscal year 2011, the ODE authorized the following transfer:

<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>AMOUNT TRANSFERRED FROM 2011 TO 2012</u>
TITLE I	84.010	\$457,365
NEGLECTED, TITLE I	84.010	\$1,006
DELINQUENT, TITLE I-D	84.010	\$210,847
SCHOOL IMPROVEMENT SUB A, TITLE 1	84.010	\$152,206
SPECIAL EDUCATION, IDEA-PART B	84.027	\$632,445
SPECIAL EDUCATION, PRESCHOOL	84.173	\$8,554
EDUCATION TECHNOLOGY, TITLE II-D	84.318	\$2,816
ENGLISH LANGUAGE ACQUISITION, TITLE III	84.365	\$22,071
IMPROVING TEACHER QUALITY, TITLE II-A	84.367	\$26,758

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Youngstown City School District, Mahoning County, (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion.

The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 20, 2012.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and accordingly, we express no opinion on it.

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

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

**Dave Yost**  
Auditor of State

April 20, 2012





# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Youngstown City School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Youngstown City School District's major federal programs for the year ended June 30, 2011. The *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Youngstown City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2011-002 through 2011-004.

### Internal Control Over Compliance

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

Voinovich Government Center, 242 Federal Plaza W. Suite 302, Youngstown, Ohio 44503-1293  
Phone: 330-797-9900 or 800-443-9271 Fax: 330-797-9949

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In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-004 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-002 and 2011-003 to be significant deficiencies.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated April 20, 2012.

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



**Dave Yost**  
Auditor of State

April 20, 2012

**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	School Improvement Grants Cluster (CFDA #84.377 & #84.388); Special Education Grants Cluster (CFDA #84.027, #84.391, #84.173 & #84.392); Student Financial Aid Cluster (CFDA #84.063 & #84.268); Education Jobs Fund (CFDA #84.410); Improving Teacher Quality (CFDA #84.367); and State Fiscal Stabilization Fund (CFDA #84.394)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 889,140 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**Expenditures Plus Encumbrances Exceeding Total Appropriations**

<b>Finding Number</b>	<b>2011-001</b>
-----------------------	-----------------

**NONCOMPLIANCE**

**Ohio Revised Code § 5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Expenditures plus encumbrances exceeded appropriations and prior year carryover encumbrances in the following Special Revenue fund at year-end:

Fund	Expenditures Plus Encumbrances	Total Appropriations	Variance
State Fiscal Stabilization	8,167,358	3,302,861	4,864,497

This situation could lead to the increased possibility that deficit spending could occur.

The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Official's Response:**

This fund, although a 500 level federal fund was reflected in our general fund. When the general fund appropriations were adjusted and approved, this fund was overlooked probably because it was numbered like a federal grant. That being said, this fund was closely monitored and reported monthly to the Board and on the district web site. Due to the unusual and complicated nature of including federally infused dollars in the general fund we missed the requirement but fully reported this activity so as not to over or under spend this grant. We are correcting this problem by installing a federal grant coordinator who will require year end spending to be completed in May and appropriations adjustment will be properly finalized by the year-end close. This will alleviate the problem related to approval of appropriations.

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

**1. Allowable Costs / Cost Principles**

<b>Finding Number</b>	2011-002
<b>CFDA Title and Number</b>	Improving Teacher Quality CFDA #84.367
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**FINDING NUMBER – 2011-002  
 (Continued)**

**NONCOMPLIANCE FINDING, SIGNIFICANT DEFICIENCY AND QUESTIONED COST**

**2 C.F.R. Part 225, Appendix B** establishes principles and standards for determining allowable direct and indirect costs for Federal awards. This part is organized in to the following areas of allowable costs: State/Local-Wide Central Service Costs; State/Local Department or Agency Costs (Direct and Indirect); and State Public Assistance Agency Costs. More specifically, the code provides an exhibit which includes an updated listing of selected items of cost contained in 2 C.F.R. Part 225 based on the changes contained in the Federal Register notice dated August 31, 2005, and states whether an expense category is an allowable or unallowable cost. This exhibit includes, but is not limited to, materials and supplies, which states these are allowable costs to be charged to a federal grant program, provided the materials and supplies are used for the performance of a Federal award.

During our examination of the Improving Teacher Quality (ITQ) grant, the District spent program monies on lease payments for copiers and security equipment that were not related to the program. This situation resulted in \$35,561 of federal questioned costs being charged to this grant.

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

We recommend the District review 2 C.F.R. Part 225, Appendix B, and establish controls to ensure that all expenditures made from ITQ grant funds, are allowable and directly related to the program.

**Official's Response:**

District will review **2 C.F.R. Part 225, Appendix B** and will establish controls to ensure that all expenditures made from ITQ grant funds are allowable and directly related to the program. We are also investigating the expenditures in question to see if we can determine if these expenditures were directly related. This may help us design our controls.

**2. Special Tests and Provisions**

<b>Finding Number</b>	<b>2011-003</b>
<b>CFDA Title and Number</b>	Federal Pell Grant Program CFDA #84.063; Federal Direct Student Loans CFDA #84.268
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Direct

**NONCOMPLIANCE FINDING, SIGNIFICANT DEFICIENCY AND QUESTIONED COST**

34 CFR sections 668.22(a)(1) through (a)(4) state when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date.

**FINDING NUMBER – 2011-003**  
**(Continued)**

If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination the student withdrew, the difference must be returned to the Title IV programs and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement.

During FY 2011, the District had 42 students withdraw from their Adult Education Programs. Of the 42 students, 18 students completed enough coursework to earn 100 percent of their Title IV aid assistance, 13 students earned more Title IV aid than the amount that was disbursed, and the remaining 11 students earned less Title IV aid than the amount that was disbursed.

The District made post-withdrawal disbursements to 13 students who earned more Title IV aid than the amount that was disbursed. Per 34 CFR section 668.22(a)(5), post-withdrawal disbursements must be made from available grant funds before available loan funds. Through our testing of post-withdrawal disbursements, we noted one instance where the District made a post-withdrawal disbursement from loan funds when grant funds were available. This resulted in the student receiving \$1,990 in Unsubsidized Direct Stafford Loans and \$1,742 in Subsidized Direct Stafford Loans that should not have been applied to the student's account. Additionally, we noted four instances where the student received less Federal Pell Grant monies than was earned, and one instance where the student received more Federal Pell Grant monies. This resulted in \$2,284 in underpayments and \$1,110 in overpayments of Federal Pell Grants monies.

Additionally, 34 CFR section 668.22(g) stipulates the institution must return the lesser of: (1) the total amount of unearned Title IV assistance to be returned; or (2) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student. The amount a student is responsible for returning is calculated by subtracting the amount of unearned aid the institution is required to return from the total amount of unearned Title IV assistance to be returned. Per 34 CFR section 668.22(i), returns of Title IV funds must be distributed in the following order: Unsubsidized Federal Direct Stafford Loans, Subsidized Direct Stafford Loans, and then Federal Pell Grant.

During our testing, we identified 11 students who withdrew from their respective programs where the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date the student withdrew. As a result, the District was required to return \$2,694 in Federal Pell Grants, \$5,882 in Unsubsidized Direct Stafford Loans and \$4,364 in Subsidized Direct Stafford Loans to the Department of Education.

Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance account or electronic fund transfers initiated to the Department of Education as soon as possible, but no later than 45 days after the date the institution determines the student withdrew (34 CFR section 668.173(b)). The District could not provide supporting documentation indicating the return of the title IV monies in the manner set forth above. These exceptions resulted in \$13,978 of federal questioned costs being charged to the Federal Direct Student Loans Grant.

Failure to comply with these provisions could result in the improper allotment of Title IV assistance being disbursed to students.

**FINDING NUMBER – 2011-003  
 (Continued)**

We recommend the District promptly determine the amount of Title IV aid earned by students who withdraw from the institution by completing the Treatment of Title IV Funds form shortly after the school determines the student officially withdrew. The Financial Aid Coordinator should utilize the manuals and case studies available on the Information for Financial Aid Professionals (IFAP) website when filling out the Treatment of Title IV Funds form. This will ensure the forms are filled out correctly, the proper amount of Title IV aid is being disbursed to the student's account, and the District is returning the proper amount of Title IV aid to the Department of Education within 45 days of the student's withdrawal date.

Once the Financial Aid Coordinator completes the Treatment of Title IV Funds forms, those forms should be reviewed by appropriate personnel to ensure the accuracy of the information. After the information is verified, the District should review the balance ledger for the respective student to determine the total amount of Title IV aid disbursed to the student. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed, the Financial Aid Coordinator should promptly notify the Treasurer of the total amount of funds to be returned and the Treasurer's Office should transfer that amount to the Department of Education as soon as possible. If the amount the student earned is greater than the amount disbursed, the Financial Aid Coordinator should request the amount the student is owed from the Department of Education promptly to ensure the student is receiving post-withdrawal disbursements in a timely fashion.

**Official's Response:**

This is a complex program administered by Choffin personnel. They have software that helps control many of the issues that are cited here. The personnel are going to get additional training and will improve their efforts. They do have a difficult assignment as students drop in and out of programs quite often and the software doesn't always coordinate with the G5 web site where the treasurer assists with the draw downs and refunds.

**3. Other**

<b>Finding Number</b>	2011-004
<b>CFDA Title and Number</b>	School Improvement Grants Cluster (CFDA #84.377 & #84.388); Special Education Grants Cluster (CFDA #84.027, #84.391, #84.173 & #84.392); Student Financial Aid Cluster (CFDA #84.063 & #84.268); Education Jobs Fund (CFDA #84.410); Improving Teacher Quality (CFDA #84.367); and State Fiscal Stabilization Fund (CFDA #84.394)
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**FINDING NUMBER – 2011-004  
(Continued)**

**NONCOMPLIANCE FINDING AND MATERIAL WEAKNESS**

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

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

The District filed its June 30, 2010 data collection form and reporting package on July 13, 2011.

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

**Official's Response:**

The District will file the report on time in the future.



**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2011**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2011-001	We are correcting this problem by installing a federal grants coordinator who will require year end spending to be completed in May and appropriations adjustment will be properly finalized by the year-end close.	6/30/12	William Johnson, Treasurer
2011-002	The District will establish controls to ensure that all expenditures made from ITQ grant funds are allowable and directly related to the program.	6/30/12	William Johnson, Treasurer
2011-003	This is a complex program administered by Choffin personnel. They have software that helps control many of the issues that are cited here. The personnel are going to get additional training and will improve their efforts. They do have a difficult assignment as students drop in and out of programs quite often and the software doesn't always coordinate with the G5 web site where the treasurer assists with the draw downs and refunds.	6/30/12	William Johnson, Treasurer
2011-004	The District will submit its data collection form and reporting package within the time frame required by OMB Circular A-133 Section 320.	4/30/12	William Johnson, Treasurer

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**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2010-001	The District charged bus drivers' salaries to the Improving Teacher Quality Grant, and could not provide supporting documentation indicating that this was an allowable expenditure.	Yes	
2010-002	The District did not file their data collection form and reporting package within the time frame required by OMB Circular A-133 Section 320.	No	Not Corrected. See current year finding number 2011-004.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Revised Code Section 117.53 states "the Auditor of State shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Youngstown City School District (the "District") has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on February 14, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

April 20, 2012





# 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  
MAY 24, 2012