



Mary Taylor, CPA
Auditor of State

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

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MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2006, 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, 2006 and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Food Service Fund and Poverty Based Assistance Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22 to the financial statements, the District was declared to be in fiscal emergency on November 16, 2006 under criteria established by Ohio Revised Code Section 3316.03 B (5). Management's plans in regard to this matter are also discussed in Note 21. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2007, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipt and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipt and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert R. Hinkle, CPA
Chief Deputy Auditor

December 19, 2007

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of Youngstown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. 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 2006 fiscal year are as follows:

- In total, net assets of governmental activities decreased by \$18,353,365 which represents a decrease of a 10.72 percent from fiscal year 2005. Deficit unrestricted net assets increased over \$12.5 million to \$21.9 million. The deficit in the general fund increased to \$10.7 million.
- General revenues accounted for \$100,706,517 in revenues or 73.92 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$35,531,989 or 26.08 percent of total revenues.
- The School District had \$154,591,871 in expenses related to governmental activities; only \$35,531,989 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) in the amount of \$100,706,517 helped to provide support for these programs.
- The School District's major governmental funds are the general fund, the food service fund, the poverty based assistance fund, the bond retirement fund and the classroom facilities fund.
- The School District's governmental fund balance increased from \$54,355,684 in fiscal year 2005 to \$71,366,347 in fiscal year 2006, due mostly to draw down funds received from classroom facilities projects.

Using this Annual Financial Report

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

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

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Youngstown City School District
Management's Discussion and Analysis
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Unaudited

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.

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 2006 compared to 2005:

Table 1
 Net Assets
 Governmental Activities

	2006	2005	Change
Assets			
Current and Other Assets	\$151,585,760	\$212,163,567	(\$60,577,807)
Capital Assets, Net	98,665,101	54,243,728	44,421,373
Total Assets	250,250,861	266,407,295	(16,156,434)
Liabilities			
Current Liabilities	41,718,544	43,993,778	(2,275,234)
Long-Term Liabilities			
Due Within One Year	2,855,310	2,207,953	647,357
Due in More Than One Year	52,865,399	49,040,591	3,824,808
Total Liabilities	97,439,253	95,242,322	2,196,931
Net Assets			
Invested in Capital Assets, Net of Related Debt	98,241,294	53,693,277	44,548,017
Restricted for:			
Capital Projects	63,631,296	114,780,526	(51,149,230)
Debt Service	4,413,878	5,078,999	(665,121)
Set Asides	1,627,509	2,414,103	(786,594)
Other Purposes	6,830,388	4,451,536	2,378,852
Unrestricted (Deficit)	(21,932,757)	(9,253,468)	(12,679,289)
Total Net Assets	\$152,811,608	\$171,164,973	(\$18,353,365)

Youngstown City School District
Management's Discussion and Analysis
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Unaudited

Total assets decreased \$16,156,434. Intergovernmental receivables reported the largest decrease of \$76,430,622 due to a decrease in the amount of the receivable from the Ohio Schools Facilities Commission. An increase to capital assets of just over forty four million dollars helped offset these decreases.

Total liabilities increased \$2,196,931. Increases in accrued wages, an early retirement incentive, contracts payable, and a new capital lease contributed to the increase in total liabilities from 2005.

Table 2 shows the changes in net assets from fiscal year 2006 to 2005.

Table 2
 Change in Net Assets
 Governmental Activities

	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services	\$1,732,331	\$1,867,181	(\$134,850)
Operating Grants and Contributions	33,628,225	34,602,858	(974,633)
Capital Grants and Contributions	171,433	241,250	(69,817)
<i>Total Program Revenues</i>	<u>35,531,989</u>	<u>36,711,289</u>	<u>(1,179,300)</u>
General Revenues			
Property Taxes	25,065,319	25,338,093	(272,774)
Grants and Entitlements	72,883,143	72,810,711	72,432
Investment Earnings	2,116,404	1,639,867	476,537
Gain on Sale of Capital Assets	11,040	6,505	4,535
Miscellaneous	630,611	568,815	61,796
<i>Total General Revenues</i>	<u>100,706,517</u>	<u>100,363,991</u>	<u>342,526</u>
<i>Total Revenues</i>	<u>\$136,238,506</u>	<u>\$137,075,280</u>	<u>(\$836,774)</u>

(continued)

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2
Change in Net Assets
Governmental Activities

	2006	2005	Change
Program Expenses			
Instruction:			
Regular	\$62,210,805	\$57,632,198	\$4,578,607
Special	17,395,335	16,329,710	1,065,625
Vocational	4,633,604	4,023,566	610,038
Adult/Continuing	440,735	514,469	(73,734)
Support Services:			
Pupil	8,076,868	6,988,992	1,087,876
Instructional Staff	15,214,489	12,089,504	3,124,985
Board of Education	717,128	532,315	184,813
Administration	11,433,873	10,462,865	971,008
Fiscal	1,542,506	1,665,848	(123,342)
Business	1,609,569	1,140,989	468,580
Operation and Maintenance of Plant	15,079,816	14,289,326	790,490
Pupil Transportation	6,718,149	6,147,333	570,816
Central	1,059,712	959,889	99,823
Operation of Non-Instructional Services	1,996,790	2,330,395	(333,605)
Food Service Operation	3,961,788	3,833,849	127,939
Extracurricular Activities	1,070,234	743,416	326,818
Interest and Fiscal Charges	1,430,470	1,002,824	427,646
<i>Total Program Expenses</i>	<u>154,591,871</u>	<u>140,687,488</u>	<u>13,904,383</u>
<i>Decrease in Net Assets</i>	(18,353,365)	(3,612,208)	(14,741,157)
Net Assets Beginning of Year	<u>171,164,973</u>	<u>174,777,181</u>	<u>(3,612,208)</u>
Net Assets End of Year	<u><u>\$152,811,608</u></u>	<u><u>\$171,164,973</u></u>	<u><u>(\$18,353,365)</u></u>

Governmental Activities

Net assets of the School District's governmental activities decreased \$18,353,365 in fiscal year 2006. Program revenues of \$35,531,989 and general revenues of \$100,706,517 fell short of total governmental expenses of \$154,591,871. Program revenues supported 22.98 percent of the total governmental expenses, a decrease of 3.11 percent from fiscal year 2005 and expenses increased 9.88 percent over fiscal year 2005 due mostly to an increase in instruction expenses to support salary and step increases and maintenance expenses due to the cost of maintaining new school buildings being constructed. General revenues increased from fiscal year 2005 to fiscal year 2006 by \$342,526 or .34 percent largely due to interest revenue on long term investments. Total revenues decreased by .61 percent. There was a slight increase in all general revenues except property taxes which decreased by 1.08 percent. All program revenues decreased.

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During fiscal year 2006 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. As a result of the last revaluation in 1999, the School District's tax valuation increased by 8 percent. The Board of Education's policy to disallow 100 percent abatements has resulted in minor growth in real estate valuation, as new construction is not subject to the reduction factors of House Bill 920. 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.

HB920, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property. Increases in valuation prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property.

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

Property Growth/Last Ten Years		
Calendar Year	Total Valuation	Growth Rate
2006	\$648,611,187	-1.06%
2005	655,454,960	-2.19%
2004	670,122,208	3.50%
2003	647,474,020	-0.10%
2002	648,128,280	-1.12%
2001	655,454,960	0.61%
2000	651,482,280	8.01%
1999	603,143,410	1.22%
1998	595,864,880	1.89%
1997	584,810,620	4.61%

The average rate of growth over the last 10 years is 1.5 percent.

Because of the low per pupil valuation, the School District is highly dependent on State funding to maintain financial stability. In recent years, support from the State in terms of foundation increases, weighted funding for special education students and career-tech students, equity aid, parity aid and other new State funding mechanisms have helped to improve the financial condition of the School District. However, the School District's anticipation for future growth, based on the financial projections for the state economy which is less than 2 percent per year has played a major role in the School District's return to a deficit operating position.

Program revenues covered 22.98 percent of program expenses overall. The remaining 77.02 percent is supported through tax revenues and other general revenues and fund balances. In fiscal year 2006 revenues totaled 88.1 percent of expenses resulting in a \$18,353,365 decrease in net assets.

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, 2006
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program Expenses				
Instruction:				
Regular	\$62,210,805	(\$52,542,404)	\$57,632,198	(\$47,199,023)
Special	17,395,335	(12,911,310)	16,329,710	(11,986,569)
Vocational	4,633,604	(3,051,980)	4,023,566	(2,852,541)
Adult/Continuing	440,735	20,391	514,469	(28,318)
Support Services:				
Pupils	8,076,868	(5,641,804)	6,988,992	(4,460,729)
Instructional Staff	15,214,489	(7,415,668)	12,089,504	(5,293,501)
Board of Education	717,128	(717,128)	532,315	(530,081)
Administration	11,433,873	(9,739,586)	10,462,865	(8,591,405)
Fiscal	1,542,506	(1,525,619)	1,665,848	(1,460,940)
Business	1,609,569	(1,609,569)	1,140,989	(1,135,387)
Operation and Maintenance of Plan	15,079,816	(14,160,434)	14,289,326	(13,226,634)
Pupil Transportation	6,718,149	(5,846,523)	6,147,333	(4,826,878)
Central	1,059,712	(993,712)	959,889	(750,570)
Operation of Non-Instructional Service	1,996,790	(309,750)	2,330,395	6,550
Food Service Operation	3,961,788	(255,758)	3,833,849	(30,989)
Extracurricular Activities	1,070,234	(928,558)	743,416	(606,360)
Interest and Fiscal Charges	1,430,470	(1,430,470)	1,002,824	(1,002,824)
<i>Total</i>	<u>\$154,591,871</u>	<u>(\$119,059,882)</u>	<u>\$140,687,488</u>	<u>(\$103,976,199)</u>

The School District's reliance on grants and entitlements not restricted to specific programs and on property tax revenues is crucial. These two revenue sources represent 71.89 percent of total governmental revenue. Investment interest and other miscellaneous type revenues support the remaining activity costs.

The School District's Funds

The School District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$71,366,347, which is greater than fiscal year 2005's year end balance of \$54,355,684.

General fund revenues increased by approximately \$2.5 million over fiscal year 2005 due to an increase in grant and interest revenue received throughout the year; however a early retirement incentive, step increases and increases in salary helped to increase expenditures approximately \$5.5 million. The increased expenditures resulted in a decrease to general fund balance of \$10.7 million, which was \$3.1 million more than the previous year's decrease of \$7.6 million.

Youngstown City School District
Management's Discussion and Analysis
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Unaudited

General Fund Revenues and Expenditures
(Modified Accrual)

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues			
Property Taxes	\$22,610,094	\$22,447,802	\$162,292
Intergovernmental	72,592,788	71,136,158	1,456,630
Interest	1,101,756	175,946	925,810
Other Revenues	1,034,844	1,032,416	2,428
<i>Total</i>	<u>\$97,339,482</u>	<u>\$94,792,322</u>	<u>\$2,547,160</u>
Expenditures			
Instruction	\$64,427,081	\$59,988,919	\$4,438,162
Support Services	42,539,532	40,922,811	1,616,721
Operation of Non-Instructional Services	119,788	139,918	(20,130)
Extracurricular Activities	475,517	476,588	(1,071)
Capital Outlay	286,007	708,108	(422,101)
Debt Service	146,308	248,408	(102,100)
<i>Total</i>	<u>\$107,994,233</u>	<u>\$102,484,752</u>	<u>\$5,509,481</u>

Other major funds of the School District include the food service fund, the poverty based assistance fund, the bond retirement fund and the classroom facilities fund. The classroom facilities fund balance increased \$26,308,916. In addition to increased draw down project funds, changes for this fund include proceeds from a new capital lease. The food service fund has had a consistent fund balance decreasing slightly each year due to student enrollment. Disadvantaged pupil impact aid fund balance has been eliminated by the Ohio Department of Education and replaced with Poverty Based Assistance fund which had a negative balance of \$916,638 at fiscal year end. The deficit balance resulted from the School District's timing of available revenues to meet expenditures. The School District continues to seek grant monies to provide services to our students as evidenced by the \$1,271,477 increase in fund balance in nonmajor funds.

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.

In fiscal year 2006, the School District adopted its appropriations prior to October 1, 2005 and amended those appropriations on June 30, 2006. For the general fund, final budgeted revenues were \$97,365,471, which was the same as the original budget. The budgeted amounts were \$1,128,771 less than the actual revenues because of increased amounts received in intergovernmental and interest revenue. General fund original appropriations of \$109,814,951 were increased to \$114,165,643 in the final appropriation measure primarily due to anticipated increases in expenditures in certain areas prior to the end of the year.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$98,665,101 invested in land, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress. The following table shows fiscal 2006 balances compared to 2005.

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

	2006	2005
Land	\$1,002,781	\$1,002,781
Buildings and Improvements	36,896,919	18,766,324
Furniture and Equipment	4,566,257	4,110,019
Vehicles	633,036	714,099
Textbooks	369,419	335,873
Construction in Progress	55,196,689	29,314,632
<i>Total Capital Assets</i>	<i>\$98,665,101</i>	<i>\$54,243,728</i>

Capital Assets (net of depreciation) increased \$44,421,373 overall. The School District is still in the process of demolishing or remodeling old schools and building and opening new schools which represents the increase in buildings and improvements and construction in progress. Furniture and equipment increased due to purchases made to update and replace equipment for existing buildings and to furnish two new schools which opened during fiscal year 2006. The School District's threshold for capitalization is \$1,000. For additional information on capital assets see Note 9 to the basic financial statements.

Debt

As of June 30, 2006 the School District had \$55,720,709 in outstanding obligations. Table 5 below summarizes the School District's long-term obligations.

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

	2006	2005
Asbestos Abatement Loans	\$0	\$25,933
Compensated Absences	13,809,839	13,750,951
Early Retirement Incentive	1,200,000	0
Claims	105,923	376,201
Capital Leases	5,473,807	550,451
Classroom Facilities Bonds	35,131,140	36,545,008
Total	\$55,720,709	\$51,248,544

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Unaudited

Overall long-term obligations increased by \$4,472,165. This increase is mainly due to a new lease entered into by the School District with Chase Bank. The general obligation bonds of \$35,131,140 represent Classroom Facilities and School Improvement bonds issued March 2 2005. These interest bearing bonds, issued at a premium will mature December 1, 2028. At June 30, 2006 the School District's overall legal debt margin was \$23,630,621 with unvoted debt margin of \$629,663. For additional information on long-term obligations see Note 16 to the basic financial statements.

Challenges and Opportunities

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

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

In order to meet our goals and fulfill our mission mentioned above, 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.

Recent national events have impacted the School District negatively resulting in a heightened local recession that has caused several of the remaining steel mills in the area to close. Additionally, there is little growth of new or additional industry in the area.

Youngstown City School District has committed itself to financial reporting excellence for many years. The School District has received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting since fiscal year 2000. The School District is not participating in this program for fiscal year 2006, as it has chosen not to prepare a Comprehensive Annual Financial Report as a cost saving measure.

On March 2, 2006, the School District was declared by the Auditor of State to be in a state of "fiscal caution" based on anticipated deficits in Fiscal Years 2006 and 2007. To generate additional funds the School District intends to present the voters with a new tax levy in 2007, borrow from the State Solvency Fund, renegotiate contracts with the School District's collective bargaining units under more favorable terms, and cut spending through elimination of jobs and closing facilities.

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 Carolyn Funk, Treasurer, Youngstown City School District, 20 W. Wood St., PO Box 550, Youngstown, OH 44501, 330-744-6996. You may also contact the Treasurer through e-mail at youn_cpf@access-k12.org.

Basic Financial Statements

Youngstown City School District

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$90,890,409
Accounts Receivable	81,505
Intergovernmental Receivable	33,513,579
Prepaid Items	288,302
Inventory Held for Resale	51,696
Materials and Supplies Inventory	639,746
Property Taxes Receivable	25,686,366
Deferred Charges	434,157
Nondepreciable Capital Assets	56,199,470
Depreciable Capital Assets, net	<u>42,465,631</u>
<i>Total Assets</i>	<u>250,250,861</u>
Liabilities	
Accounts Payable	478,987
Accrued Wages and Benefits	9,114,392
Contracts Payable	2,885,635
Intergovernmental Payable	4,023,940
Deferred Revenue	23,431,300
Accrued Interest Payable	117,778
Claims Payable	1,666,512
Long-Term Liabilities:	
Due Within One Year	2,855,310
Due In More Than One Year	<u>52,865,399</u>
<i>Total Liabilities</i>	<u>97,439,253</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	98,241,294
Restricted for:	
Capital Projects	63,631,296
Debt Service	4,413,878
Set Asides	1,627,509
Other Purposes	6,830,388
Unrestricted (Deficit)	<u>(21,932,757)</u>
<i>Total Net Assets</i>	<u><u>\$152,811,608</u></u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities:					
Instruction:					
Regular	\$62,210,805	\$477,043	\$9,191,358	\$0	(\$52,542,404)
Special	17,395,335	0	4,484,025	0	(12,911,310)
Vocational	4,633,604	689,504	892,120	0	(3,051,980)
Adult/Continuing	440,735	0	461,126	0	20,391
Support Services:					
Pupil	8,076,868	73,610	2,361,454	0	(5,641,804)
Instructional Staff	15,214,489	0	7,703,433	95,388	(7,415,668)
Board of Education	717,128	0	0	0	(717,128)
Administration	11,433,873	73,611	1,620,676	0	(9,739,586)
Fiscal	1,542,506	0	16,887	0	(1,525,619)
Business	1,609,569	0	0	0	(1,609,569)
Operation and Maintenance of Plant	15,079,816	0	919,382	0	(14,160,434)
Pupil Transportation	6,718,149	0	795,581	76,045	(5,846,523)
Central	1,059,712	0	66,000	0	(993,712)
Operation of Non-Instructional Services	1,996,790	0	1,687,040	0	(309,750)
Food Service Operation	3,961,788	279,217	3,426,813	0	(255,758)
Extracurricular Activities	1,070,234	139,346	2,330	0	(928,558)
Interest and Fiscal Charges	1,430,470	0	0	0	(1,430,470)
<i>Total Governmental Activities</i>	<u>\$154,591,871</u>	<u>\$1,732,331</u>	<u>\$33,628,225</u>	<u>\$171,433</u>	<u>(119,059,882)</u>

General Revenues

Property Taxes Levied for:

General Purposes	22,515,276
Debt Service	2,274,266
Other Purposes	275,777
Grants and Entitlements not Restricted to Specific Programs	72,883,143
Investment Earnings	2,116,404
Gain on Sale of Capital Assets	11,040
Miscellaneous	630,611

Total General Revenues 100,706,517

Change in Net Assets (18,353,365)

Net Assets Beginning of Year 171,164,973

Net Assets End of Year \$152,811,608

See accompanying notes to the basic financial statements

Youngstown City School District

Balance Sheet

Governmental Funds

June 30, 2006

	General	Food Service	Poverty Based Assistance	Bond Retirement	Classroom Facilities
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,153,544	\$189,167	\$5,210,930	\$71,262,557
Accounts Receivable	72,101	602	0	0	0
Interfund Receivable	18,272	0	0	0	1,854,002
Intergovernmental Receivable	114,861	479,259	0	0	30,481,466
Prepaid Items	288,302	0	0	0	0
Materials and Supplies Inventory	594,226	45,520	0	0	0
Inventory Held for Resale	0	51,696	0	0	0
Property Taxes Receivable	23,089,164	0	0	2,299,356	0
<i>Total Assets</i>	<u>\$24,176,926</u>	<u>\$1,730,621</u>	<u>\$189,167</u>	<u>\$7,510,286</u>	<u>\$103,598,025</u>
Liabilities					
Accounts Payable	\$147,738	\$1,229	\$701	\$0	\$26,141
Accrued Wages and Benefits	6,983,333	81,851	846,732	0	0
Contracts Payable	0	0	0	0	2,876,207
Intergovernmental Payable	3,102,026	163,261	258,372	0	0
Deferred Revenue	23,089,164	0	0	2,299,356	30,481,466
Interfund Payable	1,614,579	0	0	0	0
<i>Total Liabilities</i>	<u>34,936,840</u>	<u>246,341</u>	<u>1,105,805</u>	<u>2,299,356</u>	<u>33,383,814</u>
Fund Balances					
Reserved for Encumbrances	1,607,562	19,437	3,205	0	26,310,277
Reserved for Bus Purchases	247,294	0	0	0	0
Reserved for Textbooks	1,150,954	0	0	0	0
Reserved for Budget Stabilization	476,555	0	0	0	0
Reserved for Unclaimed Monies	23,878	0	0	0	0
Undesignated, (Deficit) Reported in:					
General Fund	(14,266,157)	0	0	0	0
Special Revenue Funds	0	1,464,843	(919,843)	0	0
Debt Service Fund	0	0	0	5,210,930	0
Capital Projects Funds	0	0	0	0	43,903,934
<i>Total Fund Balances (Deficit)</i>	<u>(10,759,914)</u>	<u>1,484,280</u>	<u>(916,638)</u>	<u>5,210,930</u>	<u>70,214,211</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$24,176,926</u>	<u>\$1,730,621</u>	<u>\$189,167</u>	<u>\$7,510,286</u>	<u>\$103,598,025</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, 2006*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$71,366,347
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$8,019,278	\$85,835,476	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	98,665,101
8,802	81,505		
0	1,872,274	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
2,437,993	33,513,579	Property Taxes	2,255,066
0	288,302	School Facilities Monies	30,481,466
0	639,746	Grants	2,068,965
0	51,696		
297,846	25,686,366		
<u>\$10,763,919</u>	<u>\$147,968,944</u>	Total	34,805,497
\$303,178	\$478,987	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.	3,378,993
1,202,476	9,114,392		
0	2,876,207	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(117,778)
500,281	4,023,940		
2,366,811	58,236,797	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	434,157
257,695	1,872,274		
<u>4,630,441</u>	<u>76,602,597</u>	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
1,220,252	29,160,733	Classroom Facilities Bonds	(35,131,140)
0	247,294	Claims Payable	(105,923)
0	1,150,954	Compensated Absences	(15,009,839)
0	476,555	Capital Lease	(5,473,807)
0	23,878		
0	(14,266,157)	Total	<u>(55,720,709)</u>
3,813,740	4,358,740	<i>Net Assets of Governmental Activities</i>	<u><u>\$152,811,608</u></u>
0	5,210,930		
1,099,486	45,003,420		
<u>6,133,478</u>	<u>71,366,347</u>		
<u>\$10,763,919</u>	<u>\$147,968,944</u>		

Youngstown City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Food Service	Poverty Based Assistance	Bond Retirement	Classroom Facilities
Revenues					
Property Taxes	\$22,610,094	\$0	\$0	\$2,312,538	\$0
Intergovernmental	72,592,788	3,426,813	10,395,500	331,055	74,400,246
Interest	1,101,756	0	0	0	1,014,648
Tuition and Fees	347,852	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Contributions and Donations	130	0	0	0	0
Rentals	109,601	0	0	0	0
Charges for Services	0	279,217	0	0	0
Miscellaneous	577,261	231	0	0	0
<i>Total Revenues</i>	<u>97,339,482</u>	<u>3,706,261</u>	<u>10,395,500</u>	<u>2,643,593</u>	<u>75,414,894</u>
Expenditures					
Current:					
Instruction:					
Regular	49,430,063	0	7,854,150	0	0
Special	11,817,541	0	513,917	0	0
Vocational	3,179,477	0	0	0	0
Adult/Continuing	0	0	0	0	0
Support Services:					
Pupil	5,425,237	0	10,215	0	0
Instructional Staff	4,566,013	0	698,364	0	0
Board of Education	712,829	0	0	0	0
Administration	8,739,964	0	29,591	0	0
Fiscal	1,457,481	0	0	50,479	0
Business	1,489,649	0	0	0	0
Operation and Maintenance of Plant	13,800,164	75,411	806,675	0	0
Pupil Transportation	5,371,300	3,354	450	0	0
Central	976,895	0	0	0	0
Operation of Non-Instructional Services	119,788	0	45,317	0	0
Food Service Operation	0	3,708,362	0	0	0
Extracurricular Activities	475,517	0	0	0	0
Capital Outlay	286,007	0	0	0	54,155,978
Debt Service:					
Principal Retirement	126,644	0	0	1,400,933	0
Interest and Fiscal Charges	19,664	0	0	1,433,959	0
<i>Total Expenditures</i>	<u>107,994,233</u>	<u>3,787,127</u>	<u>9,958,679</u>	<u>2,885,371</u>	<u>54,155,978</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(10,654,751)</u>	<u>(80,866)</u>	<u>436,821</u>	<u>(241,778)</u>	<u>21,258,916</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	11,040	0	0	0	0
Proceeds of Capital Lease	0	0	0	0	5,050,000
Transfers In	0	0	0	0	0
Transfers Out	(40,196)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(29,156)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,050,000</u>
<i>Net Change in Fund Balances</i>	(10,683,907)	(80,866)	436,821	(241,778)	26,308,916
<i>Fund Balances (Deficit) Beginning of Year</i>	(76,007)	1,565,146	(1,353,459)	5,452,708	43,905,295
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$10,759,914)</u>	<u>\$1,484,280</u>	<u>(\$916,638)</u>	<u>\$5,210,930</u>	<u>\$70,214,211</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, 2006*

Other Governmental Funds	Total Governmental Funds		
		Net Change in Fund Balances - Total Governmental Funds	\$17,010,663
		<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
\$288,072	\$25,210,704	Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
21,635,285	182,781,687	Capital Outlay	47,202,081
0	2,116,404	Depreciation	<u>(2,780,708)</u>
709,094	1,056,946	Total	44,421,373
286,567	286,567	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
92,676	92,806	Property Taxes	(145,385)
0	109,601	School Facilities Monies	(74,400,246)
0	279,217	Grants	<u>(1,791,446)</u>
53,119	630,611	Total	(76,337,077)
<u>23,064,813</u>	<u>212,564,543</u>	Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets.	
		Classroom Facilities Bonds	1,375,000
1,306,441	58,590,654	Asbestos Loans	25,933
4,242,568	16,574,026	Capital Lease	<u>126,644</u>
1,067,635	4,247,112	Total	1,527,577
432,241	432,241	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.	
2,898,445	8,333,897	Compensated Absences	(1,258,888)
6,508,348	11,772,725	Claims Payable	<u>270,278</u>
0	712,829	Total	(988,610)
2,116,181	10,885,736	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.	
25,597	1,533,557		1,039,556
0	1,489,649	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.	
110,214	14,792,464	Accrued Interest	3,437
916,323	6,291,427	Amortization of Issuance Costs	(19,152)
73,882	1,050,777	Bond Premium Amortization	<u>38,868</u>
1,878,177	2,043,282	Total	23,153
0	3,708,362	Other financing sources, such as proceeds of capital lease, in the governmental funds increase long-term liabilities in the statement of net assets.	
213,048	688,565		<u>(\$5,050,000)</u>
44,432	54,486,417	<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$18,353,365)</u></u>
0	1,527,577		
0	1,453,623		
<u>21,833,532</u>	<u>200,614,920</u>		
1,231,281	11,949,623		
0	11,040		
0	5,050,000		
40,196	40,196		
0	(40,196)		
<u>40,196</u>	<u>5,061,040</u>		
1,271,477	17,010,663		
4,862,001	54,355,684		
<u>\$6,133,478</u>	<u>\$71,366,347</u>		

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$22,366,846	\$22,517,379	\$22,610,094	\$92,715
Intergovernmental	72,925,293	72,774,704	73,718,384	943,680
Interest	1,181,986	1,033,000	1,194,841	161,841
Tuition and Fees	337,035	420,290	343,613	(76,677)
Rentals	108,422	94,770	109,601	14,831
Contributions and Donations	129	450	130	(320)
Miscellaneous	445,760	524,878	517,579	(7,299)
<i>Total Revenues</i>	<u>97,365,471</u>	<u>97,365,471</u>	<u>98,494,242</u>	<u>1,128,771</u>
Expenditures				
Current:				
Instruction:				
Regular	50,107,550	53,766,173	49,530,742	4,235,431
Special	12,013,130	12,381,716	12,075,324	306,392
Vocational	3,248,538	3,304,761	3,218,905	85,856
Support Services:				
Pupil	5,531,075	5,653,860	5,538,277	115,583
Instructional Staff	4,830,596	5,121,662	4,790,265	331,397
Board of Education	629,573	1,057,448	688,293	369,155
Administration	8,938,657	8,381,263	8,896,853	(515,590)
Fiscal	1,462,125	1,460,041	1,474,380	(14,339)
Business	1,516,583	1,881,319	1,960,100	(78,781)
Operation and Maintenance of Plant	14,013,864	13,794,109	14,544,997	(750,888)
Pupil Transportation	5,451,499	5,309,188	5,557,768	(248,580)
Central	987,894	1,041,008	1,014,645	26,363
Operation of Non-Instructional Services	125,641	55,005	125,469	(70,464)
Extracurricular Activities	465,662	511,925	465,929	45,996
Capital Outlay	313,323	446,165	494,542	(48,377)
<i>Total Expenditures</i>	<u>109,635,710</u>	<u>114,165,643</u>	<u>110,376,489</u>	<u>3,789,154</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(12,270,239)</u>	<u>(16,800,172)</u>	<u>(11,882,247)</u>	<u>4,917,925</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	8,800	8,800	11,040	2,240
Advances In	350,159	350,159	350,159	0
Transfers Out	(179,241)	(179,241)	(40,196)	139,045
<i>Total Other Financing Sources (Uses)</i>	<u>179,718</u>	<u>179,718</u>	<u>321,003</u>	<u>141,285</u>
<i>Net Change in Fund Balance</i>	(12,090,521)	(16,620,454)	(11,561,244)	5,059,210
<i>Fund Balance Beginning of Year</i>	6,636,333	6,636,333	6,636,333	0
Prior Year Encumbrances Appropriated	2,845,233	2,845,233	2,845,233	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$2,608,955)</u>	<u>(\$7,138,888)</u>	<u>(\$2,079,678)</u>	<u>\$5,059,210</u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$3,086,634	\$3,086,634	\$3,316,791	\$230,157
Interest	331	331	0	(331)
Charges for Services	312,958	312,958	280,123	(32,835)
Miscellaneous	77	77	231	154
<i>Total Revenues</i>	3,400,000	3,400,000	3,597,145	197,145
Expenditures				
Current:				
Support Services:				
Operation and Maintenance of Plant	91,333	91,333	89,872	1,461
Pupil Transportation	64	5,064	3,354	1,710
Food Service Operation	3,588,921	3,723,921	3,652,877	71,044
<i>Total Expenditures</i>	3,680,318	3,820,318	3,746,103	74,215
<i>Net Change in Fund Balance</i>	(280,318)	(420,318)	(148,958)	271,360
<i>Fund Balance Beginning of Year</i>	1,204,045	1,204,045	1,204,045	0
Prior Year Encumbrances Appropriated	73,380	73,380	73,380	0
<i>Fund Balance End of Year</i>	\$997,107	\$857,107	\$1,128,467	\$271,360

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Poverty Based Assistance Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	<u>\$10,400,544</u>	<u>\$10,400,544</u>	<u>\$10,395,500</u>	<u>(\$5,044)</u>
Expenditures				
Current:				
Instruction:				
Regular	7,983,968	8,052,562	8,052,562	0
Special	803,594	649,524	545,689	103,835
Support Services:				
Pupil	428	10,840	10,840	0
Instructional Staff	666,321	707,586	707,586	0
Administration	80,751	80,751	21,188	59,563
Operation and Maintenance of Plant	885,824	911,399	911,399	0
Pupil Transportation	0	450	450	0
Operation of Non-Instructional Services	<u>0</u>	<u>2,730</u>	<u>2,730</u>	<u>0</u>
<i>Total Expenditures</i>	<u>10,420,886</u>	<u>10,415,842</u>	<u>10,252,444</u>	<u>163,398</u>
<i>Net Change in Fund Balance</i>	(20,342)	(15,298)	143,056	158,354
<i>Fund Balance Beginning of Year</i>	<u>20,342</u>	<u>20,342</u>	<u>20,342</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$5,044</u></u>	<u><u>\$163,398</u></u>	<u><u>\$158,354</u></u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2006

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,054,933</u>
Liabilities	
Contracts Payable	9,428
Claims Payable	<u>1,666,512</u>
<i>Total Liabilities</i>	<u>1,675,940</u>
Net Assets	
Unrestricted	<u><u>\$3,378,993</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, 2006*

	Insurance
Operating Revenues	
Charges for Services	\$15,720,103
Operating Expenses	
Purchased Services	387,944
Claims	14,292,603
<i>Total Operating Expenses</i>	14,680,547
<i>Change in Net Assets</i>	1,039,556
<i>Net Assets Beginning of Year</i>	2,339,437
<i>Net Assets End of Year</i>	\$3,378,993

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, 2006

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$15,720,103
Cash Payments for Goods and Services	(610,341)
Cash Payments for Claims	(14,717,263)
<i>Net Increase in Cash and Cash Equivalents</i>	392,499
<i>Cash and Cash Equivalents Beginning of Year</i>	4,662,434
<i>Cash and Cash Equivalents End of Year</i>	\$5,054,933
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$1,039,556
Adjustments:	
Decrease in Contracts Payable	(222,397)
Decrease in Claims Payable	(424,660)
Total Adjustments	(647,057)
<i>Net Cash Provided by Operating Activities</i>	\$392,499

See accompanying notes to the basic financial statements

Youngstown City School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$268,671	\$213,261
Accounts Receivable	58,912	0
<i>Total Assets</i>	<u>327,583</u>	<u>\$213,261</u>
Liabilities		
Undistributed Monies	0	\$16,942
Due to Students	0	196,319
<i>Total Liabilities</i>	<u>0</u>	<u>\$213,261</u>
Net Assets		
Held in Trust for Scholarships	<u>\$327,583</u>	

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, 2006

	Scholarship
Additions	
Contributions and Donations	\$76,324
Deductions	
Scholarships Awarded	35,830
<i>Change in Net Assets</i>	40,494
<i>Net Assets Beginning of Year</i>	287,089
<i>Net Assets End of Year</i>	\$327,583

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, 2006

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 support facilities staffed by 620 non-certified employees, 827 certified full-time teaching personnel and 87 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 2006 fiscal year was 8,093. The School District operates one elementary school (K-6) and seven elementary schools (K-4), three middle schools (5-8), two junior high schools (7-8), three high schools (9-12) and one vocational 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 19 to the basic financial statements.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies

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

A. 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.

B. 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

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

Poverty Based Assistance Fund The poverty based assistance fund accounts for State monies for reducing kindergarten through third grade class size, providing all day kindergarten and for school safety and security.

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

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

The other governmental funds of the School District account for grants and other resources whose uses are restricted 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 students of the School District. 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Measurement Focus

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

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

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

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

D. 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 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. 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.

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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

F. 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.

During fiscal year 2006, investments were limited to federal home loan bank notes, federal national mortgage association notes, federal home loan mortgage notes, federal farm credit bank notes, U.S. treasury notes, money market mutual funds, Tennessee Valley Authority electronotes and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices, or in the case of mutual funds, current share price. Nonparticipating investment contracts such as negotiable certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

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 2006 amounted to \$1,101,756, which was all 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, 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.

H. 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.

I. 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

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

J. 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.

K. 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.

L. 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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

M. Bond Issuance Costs

Bond 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 bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On governmental fund statements bond issuance costs are expended in the year the bonds are issued.

N. 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 governmental fund statements, bond premiums are recognized as an other financing source in the year the bonds are issued.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$76,503,071, none of which is restricted by enabling legislation. 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.

P. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, bus purchases, textbooks, budget stabilization and unclaimed monies.

The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Q. Operating Revenues and Expenses

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

R. Interfund Activity

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.

S. 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.

T. 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 Principle

For fiscal year 2006, the School District has implemented GASB Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits.

The implementation of GASB Statement No. 42 and GASB Statement No. 47 did not materially affect the presentation of the financial statements of the School District.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2006, included the following individual fund deficits:

General Fund	\$10,759,914
<i>Special Revenue Fund:</i>	
Poverty Based Assistance	916,638

The general fund ended fiscal year 2007 with a deficit fund balance of \$10,759,914. The deficit resulted because the School District expended more and committed more than they received or will receive in revenue.

The poverty based assistance special revenue fund’s deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, rather than when accruals occur.

B. Compliance

The following fund had total final appropriations in excess of estimated resources plus carryover balances in violation of Section 5705.39, Ohio Revised Code:

	Estimated Resources Plus Carryover Balances	Appropriations	Excess
General Fund	\$104,737,981	\$114,385,566	\$9,647,585

The following general fund objects and special revenue funds had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Ohio Revised Code:

	Final Appropriations	Expenditures	Excess
<i>General Fund:</i>			
Instruction:			
Vocational:			
Fringe Benefits	\$724,807	\$729,856	\$5,049
Materials and Supplies	192,332	306,098	113,766
Support Services:			
Pupil:			
Fringe Benefits	1,298,483	1,397,088	98,605
Instructional Staff:			
Fringe Benefits	1,407,805	1,481,083	73,278
			(continued)

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	Final Appropriations	Expenditures	Excess
<i>General Fund:</i>			
Support Services:			
Board of Education:			
Salaries	\$23,226	\$32,550	\$9,324
Administration:			
Salaries	6,054,112	6,479,133	425,021
Fringe Benefits	2,060,802	2,198,602	137,800
Fiscal Services:			
Salaries	554,915	558,211	3,296
Fringe Benefits	173,945	191,852	17,907
Business:			
Purchased Services	986,540	1,098,997	112,457
Materials and Supplies	29,745	35,141	5,396
Operation of Maintenance and Plant:			
Salaries	5,691,515	5,864,864	173,349
Fringe Benefits	2,323,904	2,518,466	194,562
Purchased Services	4,959,494	5,345,028	385,534
Materials and Supplies	623,122	624,125	1,003
Capital Outlay - New	47,360	52,124	4,764
Other	113,214	131,955	18,741
Pupil Transportation:			
Fringe Benefits	755,673	841,480	85,807
Purchased Services	1,588,049	1,695,232	107,183
Materials and Supplies	514,484	587,458	72,974
Other	306,285	319,672	13,387
Central:			
Fringe Benefits	187,008	208,029	21,021
Non-Instructional Services:			
Community Services:			
Salaries	22,796	87,392	64,596
Fringe Benefits	3,890	9,404	5,514
Materials and Supplies	1,240	14,103	12,863
Capital Outlay:			
Building Acquisition and Construction:			
Purchased Services	250,747	342,366	91,619

Although these violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

The general fund had a negative cash balance as of \$1,058,017 at June 30, 2006, indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

5705.10(H). Management has indicated that all cash balances will be closely monitored to ensure no future violations.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments are reported at cost (budget) rather than fair value (GAAP).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balance
 General and Major Special Revenue Funds

	General	Food Service	Poverty Based Assistance
GAAP Basis	(\$10,683,907)	(\$80,866)	\$436,821
Revenue Accruals	1,247,845	(109,116)	0
Beginning Fair Value Adjustment			
for Investments	679,632	0	0
Ending Fair Value Adjustment			
for Investments	(772,717)	0	0
Advance In	350,159	0	0
Expenditure Accruals	(711,952)	60,461	(289,859)
Encumbrances	(1,670,304)	(19,437)	(3,906)
Budget Basis	(\$11,561,244)	(\$148,958)	\$143,056

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 6 - Deposits and Investments

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

Active deposits are public deposits 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 of Education 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of 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 or Ohio local governments;
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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, \$17,686,826 of the School District's bank balance of \$17,886,826 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

Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

	Investment Maturities (in Years)			
	Fair Value	Less Than 1	1-2	2-4
Federal Home Loan Mortgage Corporation Notes	\$10,928,000	\$5,573,000	\$1,355,000	\$4,000,000
Federal National Mortgage Association Notes	24,366,000	12,310,000	5,930,000	6,126,000
Federal Home Loan Bank Bonds	13,963,333	3,730,000	3,943,333	6,290,000
US Treasury Notes	7,716,000	3,116,000	4,600,000	0
Money Market Mutual Funds	5,424,643	N/A	N/A	N/A
Tennessee Valley Notes	980,000	0	980,000	0
STAROhio	17,490,290	17,490,290	0	0
Total Portfolio	\$80,868,266	\$42,219,290	\$16,808,333	\$16,416,000

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 All investments of the School District carry a rating of AAA by Standard & Poor's except for STAROhio which carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, United States Treasury Notes, Money Market Mutual Funds, and Tennessee Valley Authority Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2006:

Investment	Percentage of Investments
Federal Home Loan Mortgage Corporation Notes	13.51 %
Federal National Mortgage Association Notes	30.13
Federal Home Loan Bank Bonds	17.27
US Treasury Notes	9.54
Money Market Mutual Funds	6.71
Tennessee Valley Notes	1.21
STAROhio	21.63

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Tangible personal property tax revenue received during calendar 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this year the settlement was late.

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, 2006, are available to finance fiscal year 2006 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, 2006 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, 2006 or June 30, 2005.

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.

	2005 Second - Half Collections		2006 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$480,765,120	73.35%	\$511,301,340	78.83%
Public Utility	76,297,870	11.64	56,647,630	8.73
Tangible Personal Property	98,391,970	15.01	80,662,217	12.44
Total Assessed Value	\$655,454,960	100.00%	\$648,611,187	100.00%
Tax rate per \$1,000 of assessed valuation	\$51.00		\$51.00	

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 8 - Receivables

Receivables at June 30, 2006, consisted of interfund, 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 expect for the Ohio School Facilities Commission grant are expected to be collected within one year.

	Taxes Receivable	Estimated Uncollectible	Net Receivable
Property Taxes	\$31,132,397	\$5,446,031	\$25,686,366

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Ohio School Facilities Commission	\$30,481,466
Title I Grants	1,194,457
Federal Assistance	479,259
Miscellaneous Federal Grants	375,524
Title VI-B Grants	341,315
Miscellaneous Local Grants	285,357
Tuition and Fees	114,861
Teacher Development Grants	60,039
Preschool Grants	51,149
Title VI Grants	36,903
Limited English Proficiency Grants	24,109
Miscellaneous State Grants	24,054
Drug Free Grants	15,881
Vocational Education Grants	18,442
Ohio Reads Grants	5,243
Public School Support Grants	3,000
Adult Education Grants	2,520
Total	\$33,513,579

In June of 2004, the School District signed an amended project agreement with the Ohio School Facilities Commission to renovate three schools, build nine schools and abate and demolish sixteen schools. The new amendment increased the State share from \$130,257,056 to \$154,146,288 and the local share increased from \$33,198,000 to \$39,286,520. This receivable will not be collected within one year.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/2005	Additions	Deductions	Balance 6/30/2006
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,002,781	\$0	\$0	\$1,002,781
Construction in Progress	29,314,632	45,653,627	(19,771,570)	55,196,689
<i>Total Nondepreciable Capital Assets</i>	30,317,413	45,653,627	(19,771,570)	56,199,470
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	41,860,729	19,267,304	(2,613,384)	58,514,649
Furniture and Equipment	21,019,184	1,851,452	(199,917)	22,670,719
Vehicles	2,784,914	0	0	2,784,914
Textbooks	863,911	201,268	0	1,065,179
<i>Total Capital Assets being Depreciated</i>	66,528,738	21,320,024	(2,813,301)	85,035,461
Less Accumulated Depreciation:				
Buildings and Improvements	(23,094,405)	(1,136,709)	2,613,384	(21,617,730)
Furniture and Equipment	(16,909,165)	(1,395,214)	199,917	(18,104,462)
Vehicles	(2,070,815)	(81,063)	0	(2,151,878)
Textbooks	(528,038)	(167,722)	0	(695,760)
<i>Total Accumulated Depreciation</i>	(42,602,423)	(2,780,708)	2,813,301	(42,569,830)
<i>Total Assets being Depreciated, Net</i>	23,926,315	18,539,316	0	42,465,631
<i>Governmental Activities Capital Assets, Net</i>	\$54,243,728	\$64,192,943	(\$19,771,570)	\$98,665,101

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$923,883
Special	206,373
Vocational	83,793
Support Services:	
Pupil	64,298
Instructional Staff	783,038
Board of Education	1,019
Administration	146,184
Fiscal	6,334
Business	68,044
Operation and Maintenance of Plant	105,318
Pupil Transportation	107,904
Central	37,873
Operation of Non-Instructional Services	81,881
Food Service Operation	66,787
Extracurricular Activities	97,979
Total Depreciation Expense	\$2,780,708

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 10 - Risk Management

A. 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 2006, 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 \$277,403,083 and \$20,000,000 per occurrence limit with a \$250,000 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 and each claim is subject to a \$100,000 deductible.

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

Fleet insurance is provided by the National Interstate Insurance Company that has a \$1,000 deductible and \$75,000 coverage per accident. Portable buildings and maintenance vehicles are covered by Westfield Insurance Company. Aggregate annual coverage for the portable buildings is \$886,400 and \$500,000 for maintenance vehicles. Both policies have a \$1,000 deductible.

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

Settled claims have not exceeded this commercial coverage in any of the past three years. In order to have adequate insurance coverage to cover the two new schools opened during fiscal year 2006 the School District has had a significant increase in coverage from the prior 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.

B. Worker's Compensation

Prior to 1997, the School District participated in the State Workers' Compensation retrospective rating and payment system. From January 1, 1998 to December 31, 2001, the School District paid the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs. From January 1, 2002 to December 31, 2005, the School District was approved for 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 2006, the School District paid the State Workers' Compensation System a premium based on a rate of .008714 per \$100 of salaries.

The balance of claims payable at June 30, 2006 represents an estimate of the liability for unpaid claim costs provided by Workers' Compensation. The claims liability of \$105,923 at June 30, 2006, 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:

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2005	\$478,459	\$88,871	\$191,129	\$376,201
2006	376,201	48,475	318,753	105,923

C. 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 for each employee. Advance PCS is the third party administrator for the prescription drug program. Anthem administers the dental plan for the School District. Medical Mutual Health Services is the third party administrator for vision insurance. The administrators review all claims which are paid by the School District.

The claims liability of \$1,666,512 reported in the internal service fund at June 30, 2006 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 2005 and 2006 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2005	\$1,678,232	\$13,884,678	\$13,471,738	\$2,091,172
2006	2,091,172	14,292,603	14,717,263	1,666,512

Note 11 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$1,816,903, \$1,489,173 and \$1,403,442, respectively; 34.80 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System of Ohio

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 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$6,858,599, \$6,397,005, and \$6,264,306, respectively; 75.43 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$63,348 made by the School District and \$119,641 made by the plan members.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 – Postemployment Benefits

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$527,585 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$931,657.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 13 - Employee Benefits

A. Compensated Absences

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

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

During fiscal year 2006, the School District negotiated an early retirement incentive payment of \$30,000 for eligible employees. An employee is eligible if they have a minimum of 10 years of service to the School District, retired with an effective retirement date of July 1, 2006 or August 1, 2006 and notified the School District of their intent to retire no later than May 2, 2006. There was a liability of \$1,200,000 as of June 30, 2006 for this plan.

B. Life Insurance

The School District provides life insurance to its employees. Coverage is equal to the employee's salary (rounded to nearest thousand dollars). The maximum amount of coverage is \$300,000 for any full-time permanent non-certified or certified employee. Life insurance coverage is provided through the Reliance Standard Life Insurance Company.

Note 14 - Contingencies

A. 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, 2006.

B. Litigation

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 15 – Contractual Commitments

As of June 30, 2006, the School District had the following contractual purchase commitments outstanding:

Contractor	Contract Amount	Amount Paid to date	Remaining Contract
Welty Building Company, LTD	\$7,514,513	\$1,527,136	\$5,987,377
K Company, Inc.	3,437,301	1,794,931	1,642,370
Ralph Tyler Companies	2,990,592	1,400,281	1,590,311
Valley Electric Consolidated	2,835,548	1,254,956	1,580,592
Olsavsky-Jaminet Architects	3,199,092	1,712,898	1,486,194
Murphy Contracting Company	10,720,782	9,496,841	1,223,941
MS Consultants, Inc.	1,951,755	772,254	1,179,501
Strollo & Associates, Inc.	2,336,908	1,172,009	1,164,899
WT Leone's Tri-Area	3,958,329	2,828,522	1,129,807
Stone Creek Interior Systems	1,314,140	185,978	1,128,162
Ricciuti Balog & Partners	2,682,877	1,588,660	1,094,217
Kreidler Construction Company	2,457,233	1,477,695	979,538
Krueger International	1,327,718	432,068	895,650
Conti Corporation	3,972,115	3,242,370	729,745
Tri Area Electric Company	2,397,951	1,749,494	648,457
York Mahoning Mechanical	3,660,710	3,015,632	645,078
Continental Educational	764,229	128,467	635,762
Johnson Controls Inc.	2,003,256	1,425,981	577,275
Tomko, WG Inc.	1,450,575	915,578	534,997
Mid-West Telephone	1,017,398	494,876	522,522
Waller-Duman, Incorporated	692,031	277,651	414,380
Fire Foe Corporation	1,023,688	627,487	396,201
SBC DataCom	396,218	28,051	368,167
S.A. Communale Company, Inc.	624,000	326,526	297,474
Roth Brothers, Inc.	1,620,014	1,332,766	287,248
LEPI Enterprises	413,022	190,808	222,214
Rudzik Excavating Inc.	2,816,185	2,596,186	219,999
Gandee & Associates, Inc.	310,673	158,963	151,710
Marucci & Gaffney Excavating	542,027	392,556	149,471
Prout Boiler & Heating	689,575	549,441	140,134
Heery International	336,458	198,077	138,381
Dominion East Ohio Gas	184,649	64,743	119,906

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Contractor (continued)	Contract Amount	Amount Paid to date	Remaining Contract
Commercial Appliance Contracts	\$293,216	\$186,817	\$106,399
Professional Services Industrial Inc.	229,077	135,341	93,736
Breckenridge Kitchen	266,423	180,582	85,841
Sugar Excavating Inc.	642,516	559,084	83,432
Ohio Edison Company	76,148	11,390	64,758
ACA Engineering, Inc.	152,941	100,676	52,265
Coates Construction Company	9,614,329	9,564,572	49,757
Library Design Associates, Inc.	41,325	0	41,325
Landscape by Design	41,192	0	41,192
En-Ser Reprographics Company	91,912	55,864	36,048
Wenger Corporation	35,497	0	35,497
Amerada Hess, Corporation	51,287	21,287	30,000
Hygienetics Environmental	28,000	1,545	26,455
SET Incorporated	781,273	760,092	21,181
Brewer-Garret Company	20,380	0	20,380
Cardinal Safety Products	191,902	172,669	19,233
Project Management Consultants	27,000	9,000	18,000
Environmental Protection	58,000	41,000	17,000
QuantaPoint	153,100	136,417	16,683
Cable Contractors	13,689	0	13,689
Youngstown Water Department	9,480	1,691	7,789
CTL Engineering, Inc.	11,000	3,994	7,006
Youngstown Vindicator	19,226	12,854	6,372
AA Blueprint Company, Inc.	19,450	15,022	4,428
Hively Construction Company	5,939,052	5,935,076	3,976
Drescher & Associates	30,175	26,760	3,415
Resource International Inc.	58,461	55,523	2,938
Lorco Business Systems	64,021	61,832	2,189
Jiffy's Professional	2,000	0	2,000
Hull & Associates, Inc.	7,749	5,770	1,979
Knox Company	2,689	766	1,923
ASCC Incorporated	205,610	203,785	1,825
Lynn, Kittinger & Novle, Inc.	15,850	14,050	1,800
Western Reserve Land	4,476	3,000	1,476
Federal Iron Works	700	0	700
	<u>\$90,840,708</u>	<u>\$61,636,341</u>	<u>\$29,204,367</u>

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Amounts Due in One Year
<i>Classroom Facilities Bonds</i>					
Classroom Facilities Bonds Series 2005	\$35,625,000	\$0	\$1,375,000	\$34,250,000	\$1,050,000
Unamortized Premium	920,008	0	38,868	881,140	0
<i>Total Classroom Facilities Bonds</i>	<u>36,545,008</u>	<u>0</u>	<u>1,413,868</u>	<u>35,131,140</u>	<u>1,050,000</u>
<i>Asbestos Abatement Loans</i>					
Asbestos Abatement Loan 1985, 0%	17,348	0	17,348	0	0
Asbestos Abatement Loan 1985, 0%	8,585	0	8,585	0	0
<i>Total Asbestos Abatement Loans</i>	<u>25,933</u>	<u>0</u>	<u>25,933</u>	<u>0</u>	<u>0</u>
Capital Lease Payable	550,451	5,050,000	126,644	5,473,807	513,898
Claims Payable	376,201	48,475	318,753	105,923	26,481
Compensated Absences	13,750,951	648,075	589,187	13,809,839	864,931
Early Retirement Incentive	0	1,200,000	0	1,200,000	400,000
<i>Total General Long - Term Obligations</i>	<u>\$51,248,544</u>	<u>\$6,946,550</u>	<u>\$2,474,385</u>	<u>\$55,720,709</u>	<u>\$2,855,310</u>

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

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

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

The School District's overall debt margin was \$23,630,621 with an unvoted debt margin of \$629,663 at June 30, 2006. Principal and interest requirements to retire the classroom facilities bonds are as follows:

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Fiscal Year Ended June 30,	Classroom Facilities Bonds		Total Principal and Interest
	Principal	Interest	
2007	\$1,050,000	\$1,397,582	\$2,447,582
2008	1,080,000	1,365,632	2,445,632
2009	1,110,000	1,332,782	2,442,782
2010	1,145,000	1,298,957	2,443,957
2011	1,180,000	1,264,082	2,444,082
2012-2016	6,485,000	5,706,962	12,191,962
2017-2021	7,770,000	4,336,261	12,106,261
2022-2026	9,805,000	2,255,935	12,060,935
2027-2028	4,625,000	248,731	4,873,731
Total	\$34,250,000	\$19,206,924	\$53,456,924

Note 17 – Capital Leases

A. Phone System Lease

The School District entered into a capital lease for a phone system during fiscal year 2005. 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. The equipment has been capitalized in the amount of \$662,192, the present value of the minimum lease payments at the inception of the lease. The book value as of June 30, 2006 was \$595,973.

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,	Phone Lease
2007	\$146,307
2008	146,307
2009	146,307
2010	12,194
Total Minimum Lease Payments	451,115
Less: Amount Representing Interest	(27,308)
Present Value of Minimum Lease Payments	<u>\$423,807</u>

B. Building Lease

A new capital lease obligation recorded on the governmental wide statements relates to the improvement of several buildings in the School District. 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 to the lessor and annual sinking fund payments over a ten year period to JP Morgan Chase Bank, its escrow agent which will invest the sinking fund dollars at an interest rate that will generate at least

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

\$1,228,924 over the loan period, the difference between the sinking payments and the lease principal. 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
2007	\$32,825
2008	32,825
2009	32,825
2010	32,825
2011	32,825
2012-2016	164,125
2017-2021	5,214,125
Total Minimum Lease Payments	5,542,375
Less: Amount Representing Interest	(492,375)
Present Value of Minimum Lease Payments	\$5,050,000

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

Year ending June 30,	Principal	Interest	Sinking Fund Payments	Total Lease Payment
2007	\$0	\$32,825	\$382,108	\$414,933
2008	0	32,825	382,108	414,933
2009	0	32,825	382,108	414,933
2010	0	32,825	382,108	414,933
2011	0	32,825	382,108	414,933
2012-2016	0	164,125	1,910,536	2,074,661
2017-2021	5,050,000	164,125	0	5,214,125
	\$5,050,000	\$492,375	\$3,821,076	\$9,363,451

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 18- Interfund Transactions

A. Interfund Transfers

The general fund transferred \$40,196 to the district managed student activities special revenue fund. This transfer was made to support programs.

B. Interfund Balances

Interfund Payable	Interfund Receivable	
	General	Classroom Facilities
Major Funds:		
General Fund	\$0	\$1,614,579
Other Governmental Funds:		
Public School Support	496	0
Special Enterprise	0	64,528
Miscellaneous Local Grants	6,983	0
Professional Development	0	1,165
Ohio Reads	81	0
Vocational Education Enhancement	0	4,495
Alternative Schools	0	23,597
Limited English Proficiency	0	4,328
Title I	10,038	0
Title V	674	0
Drug Free Schools Grant	0	50,139
Reducing Class Size	0	91,171
<i>Total Other Governmental Funds</i>	18,272	239,423
<i>Total All Funds</i>	\$18,272	\$1,854,002

Interfund receivables and payables were the result of deficit cash balances due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. Temporary funding to cover the deficit in the general fund was provided by the OSFC fund.

Note 19 - Jointly Governed Organizations

A. Access Council of Governments

The Access Council of Governments (COG) is a computer network which provides data services to twenty-three 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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

per pupil charge, which was \$39 for fiscal year 2006. Youngstown City School District paid \$121,870 to COG during fiscal year 2006. 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.

B. 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 20 - 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. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2006, only the unspent portion of certain workers' compensation refunds continues to be a set-aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2005	\$744,186	\$1,193,362	\$476,555
Current Year Set-Aside Requirement	1,396,328	1,396,328	0
Offsets	0	(1,375,000)	0
Qualifying Disbursements	(989,560)	(1,216,477)	0
Total	<u>\$1,150,954</u>	<u>(\$1,787)</u>	<u>\$476,555</u>
Set-Aside Reserve Balance as of June 30, 2006 and Carried Forward to Future Fiscal Years	<u>\$1,150,954</u>	<u>\$0</u>	<u>\$476,555</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$1,627,509. Due to the financial condition at the School District, there was not enough cash to cover the required reserve.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 21 – Financial Difficulties

As of June 30, 2006, the School District was facing a \$4 million deficit and was placed in fiscal watch. Management's plans to address the deficit included cutting expenses with the elimination of jobs as well as asking voters to approve a 12 mill, five year emergency levy and a 2.5 mill permanent improvement levy. Management also planned to apply for a solvency loan from the state Solvency Assistance Fund, which is an interest free loan that the School District would have to repay within a two-year period.

As of December 19, 2007, the School District continues to struggle with budget shortfalls, mounting to a projected deficit for the 2007-2008 school year of \$11.5 million. The School District has made two unsuccessful attempts at getting voter approval for a 9.5 mill operating levy. Management plans to place a third request for this operating levy on the March, 2008 ballot. The School District has been unable to adopt a balanced budget as a result of these circumstances.

Note 22 – Subsequent Event

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

On March 15, 2007 the Commission adopted the Financial Recovery Plan. The plan outlines the steps the School District will take to reduce expenditures, including building closures and staffing reductions. The reductions outlined in the plan for fiscal year 2008 will save the School District approximately \$9 million.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education.</i>						
Food Donation	045161	10.550		\$ 295,015		\$ 295,015
Nutrition Cluster:						
National School Breakfast Program	LL-P4	10.553	\$ 779,006		\$ 779,006	
National School Lunch Program	LL-P4	10.555	2,360,861		2,360,861	
Total U.S. Department of Agriculture			\$ 3,139,867	\$ 295,015	\$ 3,139,867	\$ 295,015
<u>U.S. DEPARTMENT OF DEFENSE</u>						
<i>Direct Program</i>						
Junior Reserve Officer Training Corp	---	12.000	40,834		40,834	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education.</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	2,810,679		3,282,941	
Special Education - Preschool Grant	PG-S1	84.173	239,698		172,492	
Total Special Education Cluster			\$ 3,050,377		\$ 3,455,433	
Adult Education- State Grant Program	AB-S1	84.002	670,491		602,108	
Grants to Local Educational Agencies (ESEA Title I)	C1-SS/SD	84.010	8,888,460		7,258,650	
Vocational Education Basic Grants to States	20-C2	84.048	487,331		453,568	
Federal Pell Grant Program	---	84.063	246,360		245,876	
Safe and Drug-Free Schools and Communities Grant - National - Direct	DR-S1	84.184	141,485		192,787	
Safe and Drug-Free Schools and Communities Grant - State	DR-S1	84.186	129,331		165,225	
Education for Homeless Children and Youth	HC-S1	84.196	129,339		146,638	
21st Century Community Learning Centers	T1-S1	84.287	225,894		218,740	
Innovative State Grants for Programs	C2-S1	84.298	34,321		52,323	
Education Technology State Grants	TJ-S1	84.318	132,848		151,312	
Comprehensive Schl Reform Demonstration	RF-S3	84.332	208,738		123,162	
Reading First State Grant	RS-S1	84.357	1,357,510		1,286,606	
English Language Acquisition Grants	T3-S1	84.365	10,785		13,944	
Improving Teacher Quality State Grants	TR-S1	84.367	1,537,113		2,399,873	
Hurricane Katrina Fund	HR-01	84.397	9,750		9,750	
Total U.S. Department of Education			\$ 26,631,078		\$ 26,551,996	

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Health and Human Services</u>						
<i>Passed Through Ohio Department of MRDC</i>						
Medical Assistance Program	---	93.778	1,018,966		1,018,966	
<u>Corp. for National & Community Service</u>						
<i>Direct Program</i>						
Americorps	---	94.006	89,996		71,726	
Totals			<u>\$ 51,471,939</u>	<u>\$295,015</u>	<u>\$ 51,636,354</u>	<u>\$295,015</u>

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, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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Mary Taylor, CPA

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, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2007, wherein we noted the District is experiencing financial difficulties and was declared to be in fiscal emergency on November 16, 2006 under criteria established by Ohio Revised Code Section 3316.03 B (5). 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 to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated December 19, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003. In a separate letter to the District's management dated December 19, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Robert R. Hinkle". The signature is written in a cursive, slightly slanted style.

Robert R. Hinkle, CPA
Chief Deputy Auditor

December 19, 2007



Mary Taylor, CPA

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, Mahoning County, (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 apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Youngstown City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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 expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

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

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



Robert R. Hinkle, CPA
Chief Deputy Auditor

December 19, 2007

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I - CFDA # 84.010 Title VI-B - CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 640,272 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2006-001

Finding for Recovery

The District calculated the bi-weekly salary of William Esterly, Principal, on an annual salary amount of \$84,813. His bi-weekly salary should have been calculated based on his authorized annual salary of \$84,183. This resulted in an overpayment to Mr. Esterly in the amount of \$630 for fiscal year 2006.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 OP. Atty Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public monies due but not collected has been issued against William Esterly in the amount of \$630, and Carolyn Funk, Treasurer and her bonding company, Selective Insurance Company of America, jointly and severally, and in favor of Youngstown City School District's General Fund. Carolyn Funk, Treasurer, shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from William Esterly, Principal.

Officials' Response

The District is in the process of resolving this issue by reducing William Esterly's current pay \$81 per pay for seven pays with the remaining ten percent being refunded from STRS.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Revised Code § 5705.10 (H) provides that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to satisfy the obligations of the fund or funds carrying the deficit balance.

As of June 30, 2006, the General Fund had a negative cash balance of \$1,058,017.

We recommend the District monitor the status of their cash fund balances throughout the year to ensure that deficit spending does not occur.

Officials' Response:

Upon filing the (Amended) Forecast for FY07, it became apparent that the resources of the District would not be sufficient to meet the General Fund and PBA appropriations adopted in September, 2005. However, because the deficit rose only to the level of fiscal watch at the time, no immediate help was available from the state solvency fund thus forcing the District into a cash deficit in the General Fund. The District has since been placed in fiscal emergency and has applied for and received a \$15,000,000 solvency loan in order to avert a similar situation as of June, 2007.

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Revised Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

Appropriations exceeded estimated revenue in the General Fund at June 30, 2006 as follows:

<u>Fund</u>	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	104,737,981	114,385,566	(9,647,585)

This situation may lead to disbursements within said fund exceeding the actual revenues available.

We recommend that Management monitor the appropriations and estimated resources and file amendments as needed with the County Auditor in order to receive a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. This will help to reduce the risk of disbursements exceeding the actual revenues available as well as add a measure of control over the District's budgetary process.

Officials' Response:

An amended certificate was filed with the county auditor but not in a timely manner. Therefore, that certificate cannot be used as a basis for amended appropriations for FY06.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Overpayment was made to Rudzik Excavating, Inc for contracted work on site preparation for a new school in the District.	Yes	



Mary Taylor, CPA
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
FEBRUARY 15, 2008**