



Mary Taylor, CPA  
Auditor of State



**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June 30, 2007 .....	13
Statement of Activities – For the Fiscal Year Ended June 30, 2007 .....	15
Balance Sheet – Governmental Funds - June 30, 2007 .....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2007.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2007 .....	18
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, 2007 .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2007 .....	20
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, 2007 .....	21
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, 2007 .....	22
Statement of Fund Net Assets – Internal Service Fund - June 30, 2007 .....	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund – For the Fiscal Year Ended June 30, 2007 .....	24
Statement of Cash Flows – Internal Service Fund – For the Fiscal Year Ended June 30, 2007 .....	25
Statement of Fiduciary Net Assets – Fiduciary Funds - June 30, 2007.....	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund – For the Fiscal Year Ended June 30, 2007 .....	27
Notes to the Basic Financial Statements .....	29
Federal Awards Receipts and Expenditures Schedule for the Year Ended June 30, 2007 .....	59
Notes to the Federal Awards Receipts and Expenditures Schedule - June 30, 2007.....	61

**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	63
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 .....	65
Schedule of Findings – June 30, 2007.....	67
Schedule of Prior Audit Findings – June 30, 2007.....	68



# 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, 2007, 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, 2007 and the respective changes in financial position and where applicable, cash flows, thereof 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). 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 1, 2008, 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 receipts and expenditures 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 receipts and expenditures 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 1, 2008

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*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, 2007. 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 2007 fiscal year are as follows:

- In total, net assets of governmental activities decreased by \$8,540,285 which represents a decrease of 6.37 percent from fiscal year 2006. Deficit unrestricted net assets increased over \$5.9 million to \$27.8 million. The deficit in the general fund increased to \$20.8 million.
- General revenues accounted for \$101,255,639 in revenues or 75.10 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$33,564,562 or 24.90 percent of total revenues.
- The School District had \$143,360,486 in expenses related to governmental activities; only \$33,564,562 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 \$101,255,639 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 decreased from \$71,366,347 in fiscal year 2006 to \$42,841,650 in fiscal year 2007, due mostly to the deficit in the general fund and a declining balance in the classroom facilities funds as projects are completed and paid.

### **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, 2007*  
*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 2007?" 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 10. 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*  
*For the Fiscal Year Ended June 30, 2007*  
*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 2007 compared to 2006:

**Table 1**  
 Net Assets  
 Governmental Activities

	2007	2006	Change
<b>Assets</b>			
Current and Other Assets	\$109,850,509	\$132,792,813	(\$22,942,304)
Capital Assets, Net	122,550,150	98,665,101	23,885,049
<b>Total Assets</b>	<b>232,400,659</b>	<b>231,457,914</b>	<b>942,745</b>
<b>Liabilities</b>			
Current Liabilities	52,775,852	41,718,544	11,057,308
Long-Term Liabilities			
Due Within One Year	2,844,035	2,855,310	(11,275)
Due in More Than One Year	51,302,396	52,865,399	(1,563,003)
<b>Total Liabilities</b>	<b>106,922,283</b>	<b>97,439,253</b>	<b>9,483,030</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	117,623,138	98,241,294	19,381,844
Restricted for:			
Capital Projects	25,631,345	44,838,349	(19,207,004)
Debt Service	5,027,146	4,413,878	613,268
Set Asides	0	1,627,509	(1,627,509)
Other Purposes	4,995,430	6,830,388	(1,834,958)
Unrestricted (Deficit)	(27,798,683)	(21,932,757)	(5,865,926)
<b>Total Net Assets</b>	<b>\$125,478,376</b>	<b>\$134,018,661</b>	<b>(\$8,540,285)</b>

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

Total assets increased \$942,745. Net capital assets increased by \$23,885,049. This increase was largely offset by a \$22,598,956 decrease in intergovernmental receivables resulting from a decrease in the amount of funds to be received from the Ohio Schools Facilities Commission.

Total liabilities increased \$9,483,030 as a result of the receipt of a solvency assistance advance payable in the amount of \$15,025,000.

Table 2 shows the changes in net assets from fiscal year 2007 to 2006.

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

	2007	2006	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$2,058,573	\$1,732,331	\$326,242
Operating Grants and Contributions	31,256,877	33,628,225	(2,371,348)
Capital Grants and Contributions	249,112	171,433	77,679
<i>Total Program Revenues</i>	<u>33,564,562</u>	<u>35,531,989</u>	<u>(1,967,427)</u>
General Revenues			
Property Taxes	22,018,813	25,065,319	(3,046,506)
Grants and Entitlements	74,812,703	72,883,143	1,929,560
Investment Earnings	4,293,930	2,116,404	2,177,526
Gain on Sale of Capital Assets	6,623	11,040	(4,417)
Miscellaneous	123,570	630,611	(507,041)
<i>Total General Revenues</i>	<u>101,255,639</u>	<u>100,706,517</u>	<u>549,122</u>
<i>Total Revenues</i>	<u>\$134,820,201</u>	<u>\$136,238,506</u>	<u>(\$1,418,305)</u>

(continued)

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

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

	2007	2006	Change
<b>Program Expenses</b>			
Instruction:			
Regular	\$61,737,048	\$62,210,805	(\$473,757)
Special	15,054,512	17,395,335	(2,340,823)
Vocational	3,822,600	4,633,604	(811,004)
Adult/Continuing	364,073	440,735	(76,662)
Support Services:			
Pupil	8,314,375	8,076,868	237,507
Instructional Staff	11,064,953	15,214,489	(4,149,536)
Board of Education	458,479	717,128	(258,649)
Administration	8,963,519	11,433,873	(2,470,354)
Fiscal	1,948,560	1,542,506	406,054
Business	1,104,789	1,609,569	(504,780)
Operation and Maintenance of Plant	15,146,953	15,079,816	67,137
Pupil Transportation	6,125,293	6,718,149	(592,856)
Central	1,130,365	1,059,712	70,653
Operation of Non-Instructional Services	1,962,605	1,996,790	(34,185)
Food Service Operation	3,786,606	3,961,788	(175,182)
Extracurricular Activities	953,173	1,070,234	(117,061)
Interest and Fiscal Charges	1,422,583	1,430,470	(7,887)
<i>Total Program Expenses</i>	<u>143,360,486</u>	<u>154,591,871</u>	<u>(11,231,385)</u>
<i>Decrease in Net Assets</i>	(8,540,285)	(18,353,365)	9,813,080
Net Assets Beginning of Year	<u>134,018,661</u>	<u>152,372,026</u>	<u>(18,353,365)</u>
Net Assets End of Year	<u>\$125,478,376</u>	<u>\$134,018,661</u>	<u>(\$8,540,285)</u>

**Governmental Activities**

Net assets of the School District's governmental activities decreased \$8,540,285 in fiscal year 2007. Program revenues of \$33,564,562 and general revenues of \$101,255,639 fell short of total governmental expenses of \$143,360,486. Program revenues supported 23.41 percent of the total governmental expenses, an increase of .43 percent from fiscal year 2006 and expenses decreased by 7.27 percent from fiscal year 2006 due to a reduction of instructional staff and support services staff. General revenues increased from fiscal year 2006 to fiscal year 2007 by \$549,122 or .55 percent resulting from interest earned on long term investments and an increase in unrestricted grant money. Total revenues decreased by 1.04 percent a result of a \$3,046,506 decrease in property taxes for general revenues and a decrease of \$2,371,348 in restricted grant funds.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

During fiscal year 2007 the primary sources of revenue for governmental activities were derived from property taxes and grants and entitlements. Real estate property is revalued every six years. The Board of Education's policy to disallow 100 percent abatements has resulted in minor growth in real estate valuation. House Bill 920, enacted in 1976, does not allow real property tax revenue to increase because of inflationary growth in the value of real property. Increases in valuation of carry-over property prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. New construction in the School District is not subject to the reduction factors of HB920. These increases, though, are usually offset by decreases in valuation caused by the economic condition of the area. These conditions have resulted in business closings, property abandonment, demolitions, and valuation appeals from existing property owners seeking to reduce their taxes usually by claiming market value decreases resulting from area economic forces.

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

<b>Property Growth/Last Ten Years</b>		
<b>Calendar Year</b>	<b>Total Valuation</b>	<b>Growth Rate</b>
2007	\$665,968,624	-1.50%
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%

The average rate of growth over the last 10 years is 1.35 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.

Program revenues covered 23.41 percent of program expenses overall. The remaining 76.59 percent is supported through tax revenues and other general revenues and fund balances. In fiscal year 2007 revenues totaled 94.04 percent of expenses resulting in an \$8,540,285 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, 2007  
Unaudited

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

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
<b>Program Expenses</b>				
Instruction:				
Regular	\$61,737,048	(\$51,737,099)	\$62,210,805	(\$52,542,404)
Special	15,054,512	(11,759,958)	17,395,335	(12,911,310)
Vocational	3,822,600	(2,851,917)	4,633,604	(3,051,980)
Adult/Continuing	364,073	8,667	440,735	20,391
Support Services:				
Pupil	8,314,375	(4,820,391)	8,076,868	(5,641,804)
Instructional Staff	11,064,953	(5,337,547)	15,214,489	(7,415,668)
Board of Education	458,479	(454,750)	717,128	(717,128)
Administration	8,963,519	(7,173,152)	11,433,873	(9,739,586)
Fiscal	1,948,560	(1,558,901)	1,542,506	(1,525,619)
Business	1,104,789	(1,096,600)	1,609,569	(1,609,569)
Operation and Maintenance of Plant	15,146,953	(13,955,167)	15,079,816	(14,160,434)
Pupil Transportation	6,125,293	(5,020,081)	6,718,149	(5,846,523)
Central	1,130,365	(1,031,419)	1,059,712	(993,712)
Operation of Non-Instructional Services	1,962,605	(161,922)	1,996,790	(309,750)
Food Service Operation	3,786,606	(631,100)	3,961,788	(255,758)
Extracurricular Activities	953,173	(792,004)	1,070,234	(928,558)
Interest and Fiscal Charges	1,422,583	(1,422,583)	1,430,470	(1,430,470)
<i>Total</i>	<u>\$143,360,486</u>	<u>(\$109,795,924)</u>	<u>\$154,591,871</u>	<u>(\$119,059,882)</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 71.82 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 pages 16 and 17) reported a combined fund balance of \$42,841,650, approximately \$28.5 million less than fiscal year 2006's ending balance of \$71,366,347.

General fund tax revenue decreased by \$2.5 million from fiscal year 2006 and expenditures also decreased by a little more than \$2.3 million due to support services staff reductions. In total general fund revenues decreased by 1.05 percent and expenditures decreased by 2.18 percent.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

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

	<u>2007</u>	<u>2006</u>	<u>Change</u>
<b>Revenues</b>			
Property Taxes	\$20,051,258	\$22,610,094	(\$2,558,836)
Intergovernmental	73,441,998	72,592,788	849,210
Interest	1,940,265	1,101,756	838,509
Other Revenues	877,212	1,034,844	(157,632)
<i>Total</i>	<u>\$96,310,733</u>	<u>\$97,339,482</u>	<u>(\$1,028,749)</u>
<b>Expenditures</b>			
Instruction	\$65,133,913	\$64,427,081	\$706,832
Support Services	39,596,696	42,539,532	(2,942,836)
Operation of Non-Instructional Services	47,787	119,788	(72,001)
Extracurricular Activities	522,106	475,517	46,589
Capital Outlay	185,814	286,007	(100,193)
Debt Service	146,307	146,308	(1)
<i>Total</i>	<u>\$105,632,623</u>	<u>\$107,994,233</u>	<u>(\$2,361,610)</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 decreased \$19,558,016 after the completion of two more schools during fiscal year 2007. The fund balance of the food service fund has been consistently decreasing each year as student enrollment declines. The poverty based assistance fund had a negative balance of \$342,775 at fiscal year end as a result of revenues not meeting expenditures. The School District continues to seek grant monies to provide services to our students as evidenced by the \$369,863 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 2007, the School District adopted its appropriations prior to October 1, 2006 and amended those appropriations on June 30, 2007. For the general fund, final budgeted revenues were \$95,390,288, an increase of \$4,478,781 from the original budget due primarily to an increase of intergovernmental revenue. General fund original appropriations of \$93,869,217 were increased to \$106,802,918 in the final appropriation measure in anticipation of expenditures related to the retirement and resignation incentives being offered by the School District prior to the end of the fiscal year.

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2007, the School District had \$122,550,150 invested in land, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress. The following table shows fiscal 2007 balances compared to 2006.

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

	2007	2006
Land	\$1,002,781	\$1,002,781
Construction in Progress	59,817,060	55,196,689
Buildings and Improvements	57,176,094	36,896,919
Furniture and Equipment	3,586,246	4,566,257
Vehicles	551,973	633,036
Textbooks	415,996	369,419
<i>Total Capital Assets</i>	<i>\$122,550,150</i>	<i>\$98,665,101</i>

Capital Assets (net of depreciation) increased \$23,885,049 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. The School District's threshold for capitalization is \$1,000. For additional information on capital assets see Note 10 to the basic financial statements.

***Debt***

As of June 30, 2007 the School District had \$54,146,431 in outstanding long-term obligations. Table 5 below summarizes the School District's long-term obligations.

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

	2007	2006
Compensated Absences	\$12,486,269	\$13,809,839
Early Retirement Incentive	2,060,000	1,200,000
Claims	215,873	105,923
Capital Leases	5,342,017	5,473,807
Classroom Facilities Bonds	34,042,272	35,131,140
Total	<i>\$54,146,431</i>	<i>\$55,720,709</i>

**Youngstown City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

---

---

Overall long-term obligations decreased by \$1,574,278. The decrease in liabilities is mainly due to principal payments made on general obligation bonds. The general obligation bonds of \$34,042,272 represent Classroom Facilities and School Improvement bonds issued March 2, 2005. These interest bearing bonds, issued at a premium will mature December 1, 2027. At June 30, 2007 the School District's overall legal debt margin was \$23,874,323 with unvoted debt margin of \$569,452. For additional information on long-term obligations see Note 17 to the basic financial statements.

### **Challenges and Opportunities**

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

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

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

Youngstown City School District has committed itself to financial reporting excellence for many years. The School District has received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting since fiscal year 2000. The School District did not participate in this program for fiscal years 2006 and 2007. The School District chose not to prepare a Comprehensive Annual Financial Report as a cost saving measure.

On March 15, 2007, the School District was declared by the Auditor of State to be in a state of "fiscal emergency" based on an anticipated deficit at fiscal year end 2007. To generate additional funds the School District presented the voters with a new tax levy in 2008, borrowed from the State Solvency Fund, and cut spending through elimination of jobs and closing facilities.

The residents of the School District rejected a proposed five-year 9.5 mill combined operating and permanent improvement levy placed on both the November 2007 and March 2008 ballot. The School District is continuing to cut spending through the 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 William Johnson, Treasurer, Youngstown City School District, 20 W. Wood St., PO Box 550, Youngstown, OH 44501, 330-744-6996.



**Youngstown City School District**

*Statement of Net Assets*

*June 30, 2007*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$75,068,256
Cash and Cash Equivalents With Fiscal Agents	388,272
Accounts Receivable	22,457
Intergovernmental Receivable	10,914,623
Prepaid Items	202,991
Inventory Held for Resale	45,855
Materials and Supplies Inventory	451,781
Property Taxes Receivable	22,341,269
Deferred Charges	415,005
Nondepreciable Capital Assets	60,819,841
Depreciable Capital Assets, net	<u>61,730,309</u>
<i>Total Assets</i>	<u>232,400,659</u>
<b>Liabilities</b>	
Accounts Payable	741,686
Accrued Wages and Benefits	8,421,580
Contracts Payable	2,300,376
Intergovernmental Payable	3,754,783
Matured Compensated Absences Payable	507,348
Deferred Revenue	20,537,231
Accrued Interest Payable	115,153
Claims Payable	1,372,695
Solvency Assistance Advance Payable	15,025,000
Long-Term Liabilities:	
Due Within One Year	2,844,035
Due In More Than One Year	<u>51,302,396</u>
<i>Total Liabilities</i>	<u>106,922,283</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	117,623,138
Restricted for:	
Capital Projects	25,631,345
Debt Service	5,027,146
Other Purposes	4,995,430
Unrestricted (Deficit)	<u>(27,798,683)</u>
<i>Total Net Assets</i>	<u><u>\$125,478,376</u></u>

See accompanying notes to the basic financial statements

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**Youngstown City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$61,737,048	\$385,118	\$9,533,499	\$81,332	(\$51,737,099)
Special	15,054,512	84,086	3,210,468	0	(11,759,958)
Vocational	3,822,600	578,237	392,446	0	(2,851,917)
Adult/Continuing	364,073	0	372,740	0	8,667
Support Services:					
Pupil	8,314,375	161,948	3,332,036	0	(4,820,391)
Instructional Staff	11,064,953	50,311	5,675,367	1,728	(5,337,547)
Board of Education	458,479	3,403	326	0	(454,750)
Administration	8,963,519	192,011	1,598,356	0	(7,173,152)
Fiscal	1,948,560	11,627	378,032	0	(1,558,901)
Business	1,104,789	7,473	716	0	(1,096,600)
Operation and Maintenance of Plant	15,146,953	120,207	1,062,830	8,749	(13,955,167)
Pupil Transportation	6,125,293	47,115	900,794	157,303	(5,020,081)
Central	1,130,365	9,021	89,925	0	(1,031,419)
Operation of Non-Instructional Services	1,962,605	15,684	1,784,999	0	(161,922)
Food Service Operation	3,786,606	263,434	2,892,072	0	(631,100)
Extracurricular Activities	953,173	128,898	32,271	0	(792,004)
Interest and Fiscal Charges	1,422,583	0	0	0	(1,422,583)
<i>Total Governmental Activities</i>	<u>\$143,360,486</u>	<u>\$2,058,573</u>	<u>\$31,256,877</u>	<u>\$249,112</u>	<u>(109,795,924)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	19,647,029
Debt Service	2,092,731
Other Purposes	279,053
Grants and Entitlements not Restricted to Specific Programs	
General Purposes	74,055,644
Classroom Facilities	757,059
Investment Earnings	4,293,930
Gain on Sale of Capital Assets	6,623
Miscellaneous	123,570

*Total General Revenues* 101,255,639

Change in Net Assets (8,540,285)

*Net Assets Beginning of Year - Restated (See Note 3)* 134,018,661

*Net Assets End of Year* \$125,478,376

See accompanying notes to the basic financial statements

**Youngstown City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2007*

	General	Food Service	Poverty Based Assistance	Bond Retirement	Classroom Facilities
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,164,875	\$917,135	\$793,851	\$5,823,677	\$52,588,840
Cash and Cash Equivalents With Fiscal Agents	0	0	0	0	388,272
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	401,910	0	0	0	0
Property Taxes Receivable	20,097,086	0	0	1,992,512	0
Accounts Receivable	13,563	1,217	0	0	0
Interfund Receivable	733,989	0	0	0	0
Intergovernmental Receivable	376,528	269,295	0	0	7,187,918
Prepaid Items	202,991	0	0	0	0
Materials and Supplies Inventory	396,787	54,994	0	0	0
Inventory Held for Resale	0	45,855	0	0	0
<b>Total Assets</b>	<b>\$24,387,729</b>	<b>\$1,288,496</b>	<b>\$793,851</b>	<b>\$7,816,189</b>	<b>\$60,165,030</b>
<b>Liabilities</b>					
Accounts Payable	\$275,806	\$19,845	\$9,642	\$0	\$55,961
Contracts Payable	14,750	0	0	0	2,264,956
Accrued Wages and Benefits	6,446,534	107,507	863,262	0	0
Interfund Payable	0	0	0	0	0
Intergovernmental Payable	2,866,565	137,920	255,374	0	0
Matured Compensated Absences Payable	475,316	8,684	8,348	0	0
Deferred Revenue	20,097,086	0	0	1,992,512	7,187,918
Solvency Assistance Advance Payable	15,025,000	0	0	0	0
<b>Total Liabilities</b>	<b>45,201,057</b>	<b>273,956</b>	<b>1,136,626</b>	<b>1,992,512</b>	<b>9,508,835</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	594,585	144,238	368	0	16,852,171
Reserved for Bus Purchases	401,910	0	0	0	0
Reserved for Unclaimed Monies	99,096	0	0	0	0
Unreserved, Undesignated, (Deficit) Reported in:					
General Fund	(21,908,919)	0	0	0	0
Special Revenue Funds	0	870,302	(343,143)	0	0
Debt Service Fund	0	0	0	5,823,677	0
Capital Projects Funds	0	0	0	0	33,804,024
<b>Total Fund Balances (Deficit)</b>	<b>(20,813,328)</b>	<b>1,014,540</b>	<b>(342,775)</b>	<b>5,823,677</b>	<b>50,656,195</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$24,387,729</b>	<b>\$1,288,496</b>	<b>\$793,851</b>	<b>\$7,816,189</b>	<b>\$60,165,030</b>

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, 2007*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Fund Balances</b>	<b>\$42,841,650</b>
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$8,622,026	\$70,910,404	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	122,550,150
0	388,272		
		Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
0	401,910	Property Taxes	1,804,038
251,671	22,341,269	School Facilities Monies	7,187,918
7,677	22,457	Grants	<u>2,557,952</u>
0	733,989		
3,080,882	10,914,623	Total	11,549,908
0	202,991		
0	451,781	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.	2,383,247
0	45,855		
<u>\$11,962,256</u>	<u>\$106,413,551</u>		
		In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(115,153)
\$380,432	\$741,686		
20,670	2,300,376		
1,004,277	8,421,580	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.	415,005
733,989	733,989		
494,924	3,754,783		
15,000	507,348		
2,809,623	32,087,139	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
0	15,025,000	Classroom Facilities Bonds	(34,042,272)
<u>5,458,915</u>	<u>63,571,901</u>	Claims Payable	(215,873)
		Compensated Absences	(12,486,269)
625,364	18,216,726	Early Retirement Incentive	(2,060,000)
0	401,910	Capital Lease	<u>(5,342,017)</u>
0	99,096	Total	<u>(54,146,431)</u>
0	(21,908,919)		
4,890,745	5,417,904	<i>Net Assets of Governmental Activities</i>	<u><u>\$125,478,376</u></u>
0	5,823,677		
987,232	34,791,256		
<u>6,503,341</u>	<u>42,841,650</u>		
<u>\$11,962,256</u>	<u>\$106,413,551</u>		

**Youngstown City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2007*

	General	Food Service	Poverty Based Assistance	Bond Retirement	Classroom Facilities
<b>Revenues</b>					
Property Taxes	\$20,051,258	\$0	\$0	\$2,133,703	\$0
Intergovernmental	73,441,998	2,962,175	10,400,204	294,675	5,257,660
Interest	1,940,265	0	0	0	2,327,168
Tuition and Fees	696,490	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Contributions and Donations	75,000	0	0	0	0
Charges for Services	0	269,820	0	0	0
Rentals	86,336	0	0	0	0
Miscellaneous	19,386	1,813	0	0	0
<i>Total Revenues</i>	<u>96,310,733</u>	<u>3,233,808</u>	<u>10,400,204</u>	<u>2,428,378</u>	<u>7,584,828</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	51,021,192	0	8,064,321	0	0
Special	11,153,993	0	276,035	0	0
Vocational	2,958,728	0	0	0	0
Adult/Continuing	0	0	0	0	0
Support Services:					
Pupil	4,817,096	0	836	0	0
Instructional Staff	4,803,409	0	598,922	0	0
Board of Education	457,242	0	0	0	0
Administration	7,110,957	0	2,508	0	0
Fiscal	1,511,535	0	0	49,620	0
Business	1,022,005	0	0	0	0
Operation and Maintenance of Plant	13,809,292	83,540	883,719	0	0
Pupil Transportation	5,082,464	3,926	0	0	0
Central	982,696	0	0	0	0
Operation of Non-Instructional Services	47,787	0	0	0	0
Operation of Food Services	0	3,621,582	0	0	0
Extracurricular Activities	522,106	0	0	0	0
Capital Outlay	185,814	0	0	0	27,110,019
Debt Service:					
Principal Retirement	131,790	0	0	1,050,000	0
Interest and Fiscal Charges	14,517	0	0	1,397,582	32,825
<i>Total Expenditures</i>	<u>105,632,623</u>	<u>3,709,048</u>	<u>9,826,341</u>	<u>2,497,202</u>	<u>27,142,844</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(9,321,890)</u>	<u>(475,240)</u>	<u>573,863</u>	<u>(68,824)</u>	<u>(19,558,016)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	7,309	5,500	0	0	0
Transfers In	0	0	0	681,571	0
Transfers Out	(738,833)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(731,524)</u>	<u>5,500</u>	<u>0</u>	<u>681,571</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(10,053,414)	(469,740)	573,863	612,747	(19,558,016)
<i>Fund Balances (Deficit) Beginning of Year</i>	(10,759,914)	1,484,280	(916,638)	5,210,930	70,214,211
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$20,813,328)</u>	<u>\$1,014,540</u>	<u>(\$342,775)</u>	<u>\$5,823,677</u>	<u>\$50,656,195</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, 2007*

Other Governmental Funds	Total Governmental Funds	<b>Net Change in Fund Balances - Total Governmental Funds</b>	(\$28,524,697)																																																						
\$284,880	\$22,469,841	<p><i>Amounts reported for governmental activities in the statement of activities are different because</i></p> <p>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.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Capital Outlay</td> <td style="text-align: right;">27,366,015</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,231,352)</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td></td> <td style="text-align: right;">24,134,663</td> </tr> </table> <p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.</p> <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Property Taxes</td> <td style="text-align: right;">(451,028)</td> <td></td> </tr> <tr> <td>School Facilities Monies</td> <td style="text-align: right;">(4,500,601)</td> <td></td> </tr> <tr> <td>Grants</td> <td style="text-align: right;">488,987</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td></td> <td style="text-align: right;">(4,462,642)</td> </tr> </table> <p>Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Classroom Facilities Bonds</td> <td style="text-align: right;">1,050,000</td> <td></td> </tr> <tr> <td>Capital Lease</td> <td style="text-align: right;">131,790</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td></td> <td style="text-align: right;">1,181,790</td> </tr> </table> <p>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.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Compensated Absences</td> <td style="text-align: right;">1,323,570</td> <td></td> </tr> <tr> <td>Early Retirement Incentive</td> <td style="text-align: right;">(860,000)</td> <td></td> </tr> <tr> <td>Claims Payable</td> <td style="text-align: right;">(109,950)</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td></td> <td style="text-align: right;">353,620</td> </tr> </table> <p>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.</p> <p>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.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Accrued Interest</td> <td style="text-align: right;">2,625</td> <td></td> </tr> <tr> <td>Amortization of Issuance Costs</td> <td style="text-align: right;">(19,152)</td> <td></td> </tr> <tr> <td>Bond Premium Amortization</td> <td style="text-align: right;">38,868</td> <td></td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td></td> <td style="text-align: right;">22,341</td> </tr> </table>		Capital Outlay	27,366,015		Depreciation	(3,231,352)		Total		24,134,663	Property Taxes	(451,028)		School Facilities Monies	(4,500,601)		Grants	488,987		Total		(4,462,642)	Classroom Facilities Bonds	1,050,000		Capital Lease	131,790		Total		1,181,790	Compensated Absences	1,323,570		Early Retirement Incentive	(860,000)		Claims Payable	(109,950)		Total		353,620	Accrued Interest	2,625		Amortization of Issuance Costs	(19,152)		Bond Premium Amortization	38,868		Total		22,341
Capital Outlay	27,366,015																																																								
Depreciation	(3,231,352)																																																								
Total				24,134,663																																																					
Property Taxes	(451,028)																																																								
School Facilities Monies	(4,500,601)																																																								
Grants	488,987																																																								
Total				(4,462,642)																																																					
Classroom Facilities Bonds	1,050,000																																																								
Capital Lease	131,790																																																								
Total		1,181,790																																																							
Compensated Absences	1,323,570																																																								
Early Retirement Incentive	(860,000)																																																								
Claims Payable	(109,950)																																																								
Total		353,620																																																							
Accrued Interest	2,625																																																								
Amortization of Issuance Costs	(19,152)																																																								
Bond Premium Amortization	38,868																																																								
Total		22,341																																																							
17,278,536	109,635,248																																																								
26,497	4,293,930																																																								
755,065	1,451,555																																																								
250,862	250,862																																																								
620,058	695,058																																																								
0	269,820																																																								
0	86,336																																																								
102,371	123,570																																																								
19,318,269	139,276,220																																																								
926,961	60,012,474																																																								
3,029,543	14,459,571																																																								
818,658	3,777,386																																																								
366,260	366,260																																																								
3,198,907	8,016,839																																																								
4,646,609	10,048,940																																																								
0	457,242																																																								
1,775,336	8,888,801																																																								
369,698	1,930,853																																																								
0	1,022,005																																																								
82,264	14,858,815																																																								
893,408	5,979,798																																																								
94,949	1,077,645																																																								
1,943,730	1,991,517																																																								
0	3,621,582																																																								
200,600	722,706																																																								
658,745	27,954,578																																																								
0	1,181,790																																																								
0	1,444,924																																																								
19,005,668	167,813,726																																																								
312,601	(28,537,506)																																																								
0	12,809																																																								
57,262	738,833																																																								
0	(738,833)																																																								
57,262	12,809																																																								
369,863	(28,524,697)																																																								
6,133,478	71,366,347																																																								
\$6,503,341	\$42,841,650	<b>Change in Net Assets of Governmental Activities</b>	(\$8,540,285)																																																						

**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, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$19,109,808	\$20,051,258	\$20,051,258	\$0
Intergovernmental	69,641,986	73,028,365	73,028,365	0
Interest	1,356,359	1,423,180	1,423,180	0
Tuition and Fees	617,918	648,225	648,225	0
Contributions and Donations	71,479	75,000	75,000	0
Rentals	82,282	86,336	86,336	0
Miscellaneous	31,675	77,924	77,924	0
<i>Total Revenues</i>	<u>90,911,507</u>	<u>95,390,288</u>	<u>95,390,288</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	45,296,597	51,354,317	51,143,257	211,060
Special	9,810,030	11,182,797	11,177,691	5,106
Vocational	2,760,478	2,976,678	2,976,678	0
Support Services:				
Pupil	4,281,947	4,829,620	4,793,476	36,144
Instructional Staff	4,142,056	4,698,321	4,684,029	14,292
Board of Education	362,052	449,525	434,553	14,972
Administration	6,591,630	7,412,002	7,409,074	2,928
Fiscal	1,607,991	1,813,756	1,809,209	4,547
Business	978,716	1,152,856	1,145,089	7,767
Operation and Maintenance of Plant	12,037,525	13,716,265	13,659,435	56,830
Pupil Transportation	4,481,614	5,125,466	5,100,986	24,480
Central	874,052	999,599	997,874	1,725
Operation of Non-Instructional Services	44,927	50,486	50,486	0
Extracurricular Activities	464,308	552,567	552,567	0
Capital Outlay	135,294	488,663	488,270	393
<i>Total Expenditures</i>	<u>93,869,217</u>	<u>106,802,918</u>	<u>106,422,674</u>	<u>380,244</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,957,710)</u>	<u>(11,412,630)</u>	<u>(11,032,386)</u>	<u>380,244</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	7,309	7,309	7,309	0
Solvency Assistance Advance Proceeds	0	14,450,155	15,025,000	574,845
Advances Out	0	(812,168)	(712,410)	99,758
Transfers Out	0	(738,833)	(738,833)	0
<i>Total Other Financing Sources (Uses)</i>	<u>7,309</u>	<u>12,906,463</u>	<u>13,581,066</u>	<u>674,603</u>
<i>Net Change in Fund Balance</i>	(2,950,401)	1,493,833	2,548,680	1,054,847
<i>Fund Balance (Deficit) Beginning of Year</i>	(2,079,678)	(2,079,678)	(2,079,678)	0
Prior Year Encumbrances Appropriated	1,670,304	1,670,304	1,670,304	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$3,359,775)</u>	<u>\$1,084,459</u>	<u>\$2,139,306</u>	<u>\$1,054,847</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, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$2,967,797	\$2,990,041	\$2,989,097	(\$944)
Charges for Services	268,473	270,485	270,422	(63)
Miscellaneous	661	747	596	(151)
<i>Total Revenues</i>	<u>3,236,931</u>	<u>3,261,273</u>	<u>3,260,115</u>	<u>(1,158)</u>
<b>Expenditures</b>				
Current:				
Support Services:				
Operation and Maintenance of Plant	79,624	87,198	87,198	0
Pupil Transportation	4,132	6,658	6,630	28
Operation of Food Services	3,587,812	3,577,712	3,544,826	32,886
<i>Total Expenditures</i>	<u>3,671,568</u>	<u>3,671,568</u>	<u>3,638,654</u>	<u>32,914</u>
<i>Excess of Revenues Under Expenditures</i>	(434,637)	(410,295)	(378,539)	31,756
<b>Other Financing Sources</b>				
Sale of Capital Assets	5,500	5,500	5,500	0
<i>Net Change in Fund Balance</i>	(429,137)	(404,795)	(373,039)	31,756
<i>Fund Balance Beginning of Year</i>	1,128,467	1,128,467	1,128,467	0
Prior Year Encumbrances Appropriated	19,437	19,437	19,437	0
<i>Fund Balance End of Year</i>	<u>\$718,767</u>	<u>\$743,109</u>	<u>\$774,865</u>	<u>\$31,756</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*  
*Poverty Based Assistance Fund*  
*For the Fiscal Year Ended June 30, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	<u>\$10,534,722</u>	<u>\$10,400,204</u>	<u>\$10,400,204</u>	<u>\$0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,910,615	7,994,653	7,994,161	492
Special	294,984	264,993	264,945	48
Support Services:				
Pupil	930	836	836	0
Instructional Staff	692,773	622,327	622,327	0
Administration	2,792	2,508	2,508	0
Operation and Maintenance of Plant	<u>955,984</u>	<u>858,896</u>	<u>858,896</u>	<u>0</u>
<i>Total Expenditures</i>	<u>10,858,078</u>	<u>9,744,213</u>	<u>9,743,673</u>	<u>540</u>
<i>Net Change in Fund Balance</i>	(323,356)	655,991	656,531	540
<i>Fund Balance Beginning of Year</i>	163,398	163,398	163,398	0
Prior Year Encumbrances Appropriated	<u>3,906</u>	<u>3,906</u>	<u>3,906</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$156,052)</u>	<u>\$823,295</u>	<u>\$823,835</u>	<u>\$540</u>

See accompanying notes to the basic financial statements

**Youngstown City School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2007*

---

---

	<u>Insurance</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,755,942
<b>Liabilities</b>	
Claims Payable	<u>1,372,695</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$2,383,247</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, 2007*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$13,929,929
<b>Operating Expenses</b>	
Purchased Services	824,227
Claims	14,101,448
<i>Total Operating Expenses</i>	14,925,675
<i>Change in Net Assets</i>	(995,746)
<i>Net Assets Beginning of Year</i>	3,378,993
<i>Net Assets End of Year</i>	\$2,383,247

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, 2007*

	Insurance
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$14,444,929
Cash Payments for Employee Benefits	(318)
Cash Payments for Goods and Services	(1,348,337)
Cash Payments for Claims	(14,395,265)
<i>Net Decrease in Cash and Cash Equivalents</i>	(1,298,991)
<i>Cash and Cash Equivalents Beginning of Year</i>	5,054,933
<i>Cash and Cash Equivalents End of Year</i>	\$3,755,942
 <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	(\$995,746)
Adjustments:	
Decrease in Contracts Payable	(9,428)
Decrease in Claims Payable	(293,817)
Total Adjustments	(303,245)
<i>Net Cash Used for Operating Activities</i>	(\$1,298,991)
See accompanying notes to the basic financial statements	

**Youngstown City School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2007*

---

---

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$251,104	\$181,815
Accounts Receivable	285	0
<i>Total Assets</i>	<u>251,389</u>	<u>\$181,815</u>
<b>Liabilities</b>		
Undistributed Monies	0	\$16,587
Due to Students	0	165,228
<i>Total Liabilities</i>	<u>0</u>	<u>\$181,815</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$251,389</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, 2007*

---

---

	<u>Scholarship</u>
<b>Additions</b>	
Contributions and Donations	\$74,996
<b>Deductions</b>	
Scholarships Awarded	<u>151,190</u>
<i>Change in Net Assets</i>	(76,194)
<i>Net Assets Beginning of Year</i>	<u>327,583</u>
<i>Net Assets End of Year</i>	<u><u>\$251,389</u></u>

See accompanying notes to the basic financial statements

**THIS PAGE INTENTIONALLY LEFT BLANK.**



**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

**Note 1 - Description of the School District**

Youngstown City School District (the School District) operates under a locally-elected seven-member Board form of government and provides educational services as authorized by State and Federal agencies. The Board controls the School District's instructional and support facilities staffed by 553 non-certified employees, 742 certified full-time teaching personnel and 73 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 2007 fiscal year was 8,137. The School District operates eight elementary schools (K-4), two upper elementary schools (5-6), two middle schools (5-8), one alternative middle school (4-8), three junior high schools (two 7-9) (one 7-8), three high schools (9-12), one vocational school (9-12) and one early college high school (9-11).

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

The financial recovery plan was adopted on March 15, 2007 and under State law is to be updated annually. The recovery plan included the reduction of 132 full time and 8 part time employees from the general fund for fiscal year 2008. In addition, the plan included reductions in both overtime and utility expenditures. The Commission issued a revised plan on March 13, 2008. The revised plan includes the reduction of 140 full-time equivalents for fiscal year 2009.

***Reporting Entity***

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

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

The following activities are included within the reporting entity:

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

The School District participates in two jointly governed organizations, the Access Council of Governments and the Tech Prep Consortium. These organizations are discussed in Note 20 to the basic financial statements.

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

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

**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.

**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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

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

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

***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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred 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, 2007, but which were levied to finance fiscal year 2008 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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

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.

***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 2007, investments were limited to federal home loan mortgage corporation notes, federal national mortgage association notes, federal home loan bank bonds, 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 nonnegotiable 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, 2007.

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 2007 amounted to \$1,940,265, of which \$1,786,548 was assigned from other School District funds.

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

***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

***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. Restricted Assets***

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

***J. Capital Assets***

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by 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

***K. 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.

***L. 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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

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.

***M. Accrued Liabilities and Long-term Obligations***

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

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

***N. 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 the fund financial statements, bond issuance costs are expensed in the year the bonds are issued.

***O. Bond Premium***

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

***P. 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 \$35,653,921, 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.



**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

***Q. Fund Balance Reserves***

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, and unclaimed monies.

Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

***R. 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.

***S. Interfund Activity***

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

***T. 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.

***U. 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 – Restatement of Net Assets**

During fiscal year 2007, the Ohio School Facilities Commission (OSFC) sent a notice of intent to amend the School District's project agreement due to decreases in student enrollment. The notice of intent to amend the project agreement estimated a decrease of \$18,792,947 in State funding. This restatement decreased total net assets from \$152,811,608 to \$134,018,661.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

**Note 4 – Accountability and Compliance**

**A. Accountability**

Fund balances at June 30, 2007, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Poverty Based Assistance	\$342,775
Vocational Education	47,885
Limited English Proficiency	6,414
Title I	357,032
Drug Free	20,129
Preschool	39,675
Class Size Reduction	52,403

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

**B. Compliance**

The budgetary financial statements reflect amounts that ordinarily would result in noncompliance citations under Revised Code Chapter 5705. Since the School District is in fiscal emergency, however, its financial operations are restricted by the provisions of Chapter 118 rather than Chapter 5705. Citations to Chapter 5705 are therefore presented only for funds which did not contribute to the School District being placed in fiscal emergency.

**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).

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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	(\$10,053,414)	(\$469,740)	\$573,863
Revenue Accruals	(403,360)	26,307	0
Beginning Fair Value Adjustment for Investments	(772,717)	0	0
Ending Fair Value Adjustment for Investments	255,632	0	0
State Solvency Assistance Advance Proceeds	15,025,000	0	0
Expenditure Accruals	149,360	220,406	83,888
Advance Out	(712,410)	0	0
Encumbrances	(939,411)	(150,012)	(1,220)
Budget Basis	<u>\$2,548,680</u>	<u>(\$373,039)</u>	<u>\$656,531</u>

**Note 6 - Deposits and Investments**

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

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

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

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

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

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

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$22,336,310 of the School District's bank balance of \$22,536,310 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

**Investments**

Investments are reported at fair value. As of June 30, 2007, the School District had the following investments:

	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-2	2-3
Federal Home Loan Mortgage Corporation Notes	\$9,356,905	\$1,353,508	\$8,003,397	\$0
Federal National Mortgage Association Notes	12,529,370	6,413,683	6,115,687	0
Federal Home Loan Bank Bonds	15,774,869	5,941,064	8,331,638	1,502,167
US Treasury Notes	4,690,037	4,690,037	0	0
Money Market Mutual Funds	22,866	22,866	0	0
Tennessee Valley Authority Notes	980,000	980,000	0	0
STAROhio	13,548,696	13,548,696	0	0
Total Portfolio	<u>\$56,902,743</u>	<u>\$32,949,854</u>	<u>\$22,450,722</u>	<u>\$1,502,167</u>

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

**Credit Risk** All investments of the School District carry a rating of AAA 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.

**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, 2007:

Investment	Percentage of Investments
Federal Home Loan Mortgage Corporation Notes	16.45 %
Federal National Mortgage Association Notes	22.02
Federal Home Loan Bank Bonds	27.72
US Treasury Notes	8.24
STAROhio	23.81

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

**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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. 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 2007 is 12.5 percent. This will be reduced to 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.

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, 2007, are available to finance fiscal year 2007 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, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, 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, 2007 or June 30, 2006.

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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

	2006 Second - Half Collections		2007 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$514,283,760	76.00%	\$529,992,150	79.58%
Public Utility	56,621,380	8.37	54,667,640	8.21
Tangible Personal Property	105,760,724	15.63	81,308,834	12.21
Total Assessed Value	\$676,665,864	100.00%	\$665,968,624	100.00%
Tax rate per \$1,000 of assessed valuation	\$51.00		\$51.00	

**Note 8 - 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, 2007.

**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.

**Note 9 - Receivables**

Receivables at June 30, 2007, consisted of taxes, accounts (rent, student fees and tuition), interfund and intergovernmental grants. Except for property taxes, receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except for the Ohio School Facilities Commission grant and property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

	Taxes Receivable	Estimated Uncollectible	Net Receivable
Property Taxes	\$28,005,742	\$5,664,473	\$22,341,269

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Ohio School Facilities Commission	\$7,187,918
Title I Grants	1,774,750
Title VI-B Grants	486,284
Various School Districts' Tuition	376,528
Miscellaneous State Grants	290,353
Federal Assistance	269,295
Teacher Development Grants	183,217
Miscellaneous Local Grants	98,418
Miscellaneous Federal Grants	57,970
Adult Education Grants	57,627
Vocational Education Grants	34,139
Preschool Grants	33,231
Title VI Grants	27,869
Drug Free Grants	13,932
Limited English Proficiency Grants	10,208
Alternative Schools	7,720
Ohio Reads Grants	5,164
Total	\$10,914,623

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 demolish sixteen schools. The new amendment decreased the State share from \$154,146,219 to \$135,353,272 and the local share decreased from 39,286,520 to \$37,413,476.

During fiscal year 2007, the Ohio School Facilities Commission (OSFC) sent a notice of intent to amend the School District's project agreement due to decreases in student enrollment. The notice of intent to amend the project agreement estimated a decrease of \$18,792,947 in State funding from \$135,353,272 to \$116,560,325.

**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/2006	Additions	Deductions	Balance 6/30/2007
<b>Governmental Activities</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,002,781	\$0	\$0	\$1,002,781
Construction in Progress	55,196,689	26,823,455	(22,203,084)	59,817,060
<i>Total Nondepreciable Capital Assets</i>	\$56,199,470	\$26,823,455	(22,203,084)	\$60,819,841



**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

<b>Governmental Activities</b>	Balance 6/30/2006	Additions	Deductions	Balance 6/30/2007
<b><i>Capital Assets being Depreciated:</i></b>				
Buildings and Improvements	\$58,514,649	\$22,203,084	(\$2,208,421)	\$78,509,312
Furniture and Equipment	22,670,719	274,686	(747,234)	22,198,171
Vehicles	2,784,914	0	0	2,784,914
Textbooks	1,065,179	267,874	0	1,333,053
<b><i>Total Capital Assets being Depreciated</i></b>	<b>85,035,461</b>	<b>22,745,644</b>	<b>(2,955,655)</b>	<b>104,825,450</b>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	(21,617,730)	(1,680,481)	1,964,993	(21,333,218)
Furniture and Equipment	(18,104,462)	(1,248,511)	741,048	(18,611,925)
Vehicles	(2,151,878)	(81,063)	0	(2,232,941)
Textbooks	(695,760)	(221,297)	0	(917,057)
<b><i>Total Accumulated Depreciation</i></b>	<b>(42,569,830)</b>	<b>(3,231,352)</b>	<b>2,706,041</b>	<b>(43,095,141)</b>
<b><i>Total Assets being Depreciated, Net</i></b>	<b>42,465,631</b>	<b>19,514,292</b>	<b>(249,614)</b>	<b>61,730,309</b>
<b><i>Governmental Activities Capital Assets, Net</i></b>	<b>\$98,665,101</b>	<b>\$46,337,747</b>	<b>(\$22,452,698)</b>	<b>\$122,550,150</b>

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$1,187,227
Special	249,660
Vocational	76,079
Support Services:	
Pupil	130,065
Instructional Staff	745,235
Board of Education	917
Administration	198,774
Fiscal	6,335
Business	67,707
Operation and Maintenance of Plant	123,432
Pupil Transportation	107,904
Central	28,287
Operation of Non-Instructional Services	62,373
Food Service Operation	91,306
Extracurricular Activities	156,051
<b>Total Depreciation Expense</b>	<b>\$3,231,352</b>

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

**Note 11 - 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 2007, 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. 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 2007 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. Starting January 1, 2002, 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 2007, the School District paid the State Workers' Compensation System a premium based on a rate of .007630 per \$100 of salaries.

The balance of claims payable at June 30, 2007 represents an estimate of the liability for unpaid claim costs provided by Workers' Compensation for the periods during which the School District was retrospectively rated. The claims liability of \$215,873 at June 30, 2007, 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, 2007*

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$376,201	\$48,475	\$318,753	\$105,923
2007	105,923	136,431	26,481	215,873

***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 in aggregate 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 \$1,372,695 reported in the internal service fund at June 30, 2007 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 2006 and 2007 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$2,091,172	\$14,292,603	\$14,717,263	\$1,666,512
2007	1,666,512	14,101,448	14,395,265	1,372,695

**Note 12 - 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 43215-3476.

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 2007, 10.68 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, 2007*

---

SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$1,817,634, \$1,816,903, and \$1,489,173, respectively; 36.81 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

***B. State Teachers Retirement System***

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 East Broad Street, Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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, 2007, 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 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$6,095,674, \$6,858,599 and \$6,397,005, respectively; 74.35 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$65,677 made by the School District and \$121,817 made by the plan members.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

**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, 2007, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 13 – 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and 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 funded 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 cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of 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, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$468,898 for fiscal year 2007.

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 year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, 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 2007 fiscal year equaled \$821,754.

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 year. Expenses for health care at June 30, 2006, (the latest information available), 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 benefits.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

**Note 14 - 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. The incentive payment is made in six equal payments in October and January of the three consecutive years after retirement. The first payment was made on October 15, 2006. An employee is eligible if the employee has a minimum of 10 years of service to the School District, retired with an effective retirement date of July 1, 2006 or August 1, 2006 and notified the School District of the intent to retire no later than May 2, 2006. There was a liability of \$800,000 as of June 30, 2007 for this plan.

During fiscal year 2007, the School District negotiated an early retirement incentive payment of \$30,000 for eligible employees. The incentive payment is made in four equal payments in October of the first consecutive year after retirement, in October and January of the second consecutive year, and in October of the third consecutive year. A small number of employees will receive their last payment in January of the third consecutive year instead of receiving one of their four equal payments in January of the second consecutive. The first payment will be made on October 1, 2007. An employee is eligible if the employee has a minimum of 10 years to the School District, retired with an effective retirement date of June 1, 2007, July 1, 2007 or August 1, 2007 and notified the School District of the intent to retire no later than April 20, 2007. There was a liability of \$1,260,000 as of June 30, 2007 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. The School District does not currently have any employees whose salary is \$300,000. Life insurance coverage is provided through the Reliance Standard Life Insurance Company.

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

**Note 15 – Contractual Commitments**

As of June 30, 2007, the School District had the following contractual purchase commitments outstanding:

Contractor	Contract Amount	Amount Paid to date	Remaining Contract
Kreidler Construction Company	\$6,137,281	\$2,784,384	\$3,352,897
York Mahoning Mechanical	6,760,437	4,002,400	2,758,037
Emertech Electrical, Inc.	2,192,855	380,757	1,812,098
Olsavsky-Jaminet Architects	3,321,803	1,835,608	1,486,195
Ralph Tyler Companies	2,990,592	1,834,800	1,155,792
MS Consultants, Inc.	1,977,272	836,467	1,140,805
Murphy Contracting Company	7,880,953	7,061,761	819,192
Strollo & Associates, Inc.	2,336,908	1,605,406	731,502
Ricciuti Balog & Partners	2,662,953	1,951,344	711,609
Fire Foe Corporation	1,327,536	765,478	562,058
Johnson Controls Inc.	1,796,832	1,330,146	466,686
Mid-West Telephone	1,438,695	973,927	464,768
Continental Educational	708,596	424,884	283,712
Gandee & Associates, Inc.	587,144	304,859	282,285
Welty Building Company, LTD	8,009,902	7,766,729	243,173
Heery International	547,805	326,161	221,644
Komar Plumbing Company	210,000	2,663	207,337
Coates Construction Company	11,472,599	11,268,261	204,338
Sugar Excavating Inc.	1,425,446	1,227,904	197,542
Valley Electric Consolidated	2,959,812	2,780,893	178,919
Brewer-Garret Company	172,984	15,190	157,794
Cardinal Environmental Services	308,122	176,359	131,763
SBC DataCom	129,742	0	129,742
Professional Services Industrial Inc.	302,828	183,784	119,044
Ohio Edison Company	310,960	205,795	105,165
K Company	3,483,984	3,393,010	90,974
Prout Boiler & Heating	612,036	533,543	78,493
Dominion East Ohio Gas	124,650	60,763	63,887
Rudzik Excavating Inc.	2,631,528	2,570,481	61,047
WT Leone's Tri-Area	3,339,429	3,280,365	59,064
ACA Engineering, Inc.	180,964	131,730	49,234
Waller-Duman, Incorporated	705,710	657,204	48,506
En-Ser Reprographics Company	106,974	61,327	45,647
Conti Corporation	2,038,204	1,992,860	45,344
S.A. Communale Company, Inc.	624,000	582,632	41,368
Stone Creek Interior Systems	1,148,760	1,114,394	34,366
LEPI Enterprises	303,533	269,912	33,621
Project Management Consultants	47,750	16,900	30,850
Amerada Hess, Corporation	51,286	21,286	30,000
Environmental Protection	181,100	155,777	25,323
Landscape by Design	76,273	51,411	24,862
Roth Brothers, Inc.	1,655,023	1,632,489	22,534
Tomko, WG Inc.	1,498,549	1,479,303	19,246
Builders Hardware	24,000	6,434	17,566
QuantaPoint	153,100	136,417	16,683

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

Contractor	Contract Amount	Amount Paid to date	Remaining Contract
Tri-Area Electric Company	\$1,476,060	\$1,459,403	\$16,657
Hygienetics Environmental	14,000	1,545	12,455
Youngstown Vindicator	22,246	14,832	7,414
Hess Energy Marketing	20,000	12,674	7,326
CTL Engineering, Inc.	11,000	3,993	7,007
AA Blueprint Company, Inc.	29,450	24,262	5,188
Youngstown Water Department	10,592	6,009	4,583
Drescher & Associates	31,000	27,360	3,640
Library Design Associates, Inc.	41,325	38,078	3,247
Resource International Inc.	19,917	16,979	2,938
Jiffy Professional	2,000	0	2,000
Hull & Associates, Inc.	7,749	5,770	1,979
Knox Company	2,689	766	1,923
Western Reserve Land	4,476	3,000	1,476
Time Warner	1,400	0	1,400
Krueger International	1,269	0	1,269
Federal Iron Works	700	0	700
Hepa Environmental Service	51,380	50,903	477
Lynn, Kittinger & Novle, Inc.	20,850	20,400	450
Markasky & Associates	1,335	985	350
Youngstown Club	2,330	2,099	231
Bass Security Services, Inc.	3,722	3,579	143
City of Youngstown	100	0	100
Mahoning County Recorder	28	0	28
	<u>\$88,732,528</u>	<u>\$69,886,835</u>	<u>\$18,845,693</u>

**Note 16 – Note Debt**

During fiscal year 2007, the School District received an interest free State solvency assistance advance in the amount of \$15,025,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the notes is reflected in the general fund which received the proceeds.

	Outstanding 6/30/2006	Additions	Deletions	Outstanding 6/30/2007
Fiscal Year 2007				
Solvency Assistance Advance	\$0	\$15,025,000	\$0	\$15,025,000

In fiscal years 2008 and 2009, the School District will pay \$7,512,500 a year to retire the loan.



**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

**Note 17 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts Due in One Year
<i>Classroom Facilities Bonds</i>					
Classroom Facilities Bonds Series 2005	\$34,250,000	\$0	\$1,050,000	\$33,200,000	\$1,080,000
Unamortized Premium	881,140	0	38,868	842,272	0
<i>Total Classroom Facilities Bonds</i>	<u>35,131,140</u>	<u>0</u>	<u>1,088,868</u>	<u>34,042,272</u>	<u>1,080,000</u>
Capital Lease Payable	5,473,807	0	131,790	5,342,017	137,146
Claims Payable	105,923	136,431	26,481	215,873	53,968
Compensated Absences	13,809,839	546,023	1,869,593	12,486,269	857,921
Early Retirement Incentive	1,200,000	1,260,000	400,000	2,060,000	715,000
<i>Total General Long - Term Obligations</i>	<u>\$55,720,709</u>	<u>\$1,942,454</u>	<u>\$3,516,732</u>	<u>\$54,146,431</u>	<u>\$2,844,035</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, poverty based assistance, 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 \$23,874,323 with an unvoted debt margin of \$569,452 at June 30, 2007. Principal and interest requirements to retire the classroom facilities bonds and early retirement incentive are as follows:

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

Fiscal Year Ended June 30,	Classroom Facilities Bonds		Early Retirement Incentive
	Principal	Interest	
2008	\$1,080,000	\$1,365,632	\$715,000
2009	1,110,000	1,332,782	977,500
2010	1,145,000	1,298,957	367,500
2011	1,180,000	1,264,083	0
2012	1,215,000	1,228,158	0
2013-2017	6,705,000	5,476,923	0
2018-2022	8,110,000	4,007,483	0
2023-2027	10,295,000	1,761,931	0
2028	2,360,000	50,150	0
<b>Total</b>	<b>\$33,200,000</b>	<b>\$17,786,099</b>	<b>\$2,060,000</b>

**Note 18 – 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 original amounts capitalized for the capital lease and the book value as of June 30, 2007 follows:

	<u>Amounts</u>
Asset:	
Equipment	\$662,192
Less: Accumulated Depreciation	<u>(132,438)</u>
Current Book Value	<u>\$529,754</u>

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:

<u>Year ending June 30,</u>	<u>Phone Lease</u>
2008	\$146,307
2009	146,307
2010	<u>12,194</u>
Total Minimum Lease Payments	304,808
Less: Amount Representing Interest	<u>(12,791)</u>
Present Value of Minimum Lease Payments	<u>\$292,017</u>

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

**B. Building Lease**

This 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 over a ten year period to JP Morgan Chase Bank, its escrow agent, which will pay the annual interest and invest the sinking fund dollars at an interest rate that will generate at least \$1,228,924 over the lease period, the difference between the sinking payments and the lease principal payment. It is the assumption of the School District that the money in the sinking fund will be invested and earn enough interest to allow the lease to be paid in full in December 2020.

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

Year ending June 30,	Building Lease
2008	\$32,825
2009	32,825
2010	32,825
2011	32,825
2012	32,825
2013-2017	164,125
2018-2021	5,181,300
Total Minimum Lease Payments	5,509,550
Less: Amount Representing Interest	(459,550)
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
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	0	32,825	382,108	414,933
2013-2017	0	164,125	1,528,428	1,692,553
2018-2021	5,050,000	131,300	0	5,181,300
	\$5,050,000	\$459,550	\$3,438,968	\$8,948,518

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

**Note 19- Interfund Transactions**

***A. Interfund Transfers***

The general fund made transfers to the miscellaneous local grants and the district managed activity special revenue funds for the amounts of \$17,066 and \$40,196, respectively. The transfers were to help provide funding for the fiscal year 2007.

The general fund also transferred \$681,571 to the bond retirement debt service fund for principal and interest payments on bond issues.

***B. Interfund Balances***

Interfund Payable	Interfund Receivable  General
Public School Support	\$496
Miscellaneous Local Grants	185,393
Ohio Reads	81
Vocational Education Enhancement	26,630
Alternative Schools	20,489
Adult Basic Education	29,204
Title VI-B	63,821
Vocational Education	25,591
Limited English Proficiency	11,163
Title I	10,038
Title V	674
Drug Free Schools Grant	48,952
Preschool Grants	24,740
Reducing Class Size	6,923
Miscellaneous Federal Grants	279,794
<i>Total All Funds</i>	\$733,989

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

**Note 20 - 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

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge, which was \$39 for fiscal year 2007. Youngstown City School District paid \$102,700 to COG during fiscal year 2007. 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 21 - Set-Aside Calculations**

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

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, 2006	\$1,150,954	\$0	\$476,555
Current Year Set-Aside Requirement	0	1,356,120	0
Offsets	0	(1,050,000)	(476,555)
Qualifying Disbursements	(1,271,501)	(960,492)	0
Total	<u>(\$120,547)</u>	<u>(\$654,372)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2007 and Carried Forward to Future Fiscal Years	<u>(\$120,547)</u>	<u>\$0</u>	<u>\$0</u>

The School District, under Ohio Revised Code 3315.17 and 33.15.18, elected to suspend contributions into the textbooks and instructional materials for fiscal 2007. The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook and capital acquisition set-asides. The extra amount in the textbook set-aside may be used to reduce the set-aside requirement of

**Youngstown City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

---

---

future years. The extra amount in the capital acquisition set-aside may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 22 – Financial Difficulties**

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 4, 2008 ballot. See Note 23 for the results of this levy request. The School District has been unable to adopt a balanced budget as a result of these circumstances. See Note 1 for the financial recovery plan disclosure.

**Note 23 – Subsequent Event**

On November 6, 2007, the residents of the School District rejected a proposed five-year 9.5 mill operating levy placed on the ballot.

On March 4, 2008, the residents of the School District rejected a proposed five-year \$5,291,510 emergency levy placed on the ballot.

On November 4, 2008, the residents of the School District passed a four-year 9.5 mill operating levy placed on the ballot.

**YONGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	045161	10.550		\$ 300,731		\$ 300,731
<b>Nutrition Cluster:</b>						
School Breakfast Program	LL-P4	10.553	\$ 732,531		\$ 732,531	
National School Lunch Program	LL-P4	10.555	2,101,339		2,101,339	
Total U.S. Department of Agriculture			<b>\$ 2,833,870</b>	<b>\$ 300,731</b>	<b>\$ 2,833,870</b>	<b>\$ 300,731</b>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>						
<i>Direct Program</i>						
Junior Reserve Officer Training Corp		12.000	42,295		42,295	
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Direct Program</i>						
Safe and Drug-Free Schools and Communities - National Programs		84.184	216,600		158,634	
Federal Pell Grant Program		84.063	283,545		283,476	
Fund for the Improvement of Education		84.215	285,000		242,136	
<i>Passed Through Ohio Department of Education:</i>						
<b>Special Education Cluster:</b>						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	2,906,575		2,908,177	
Special Education - Preschool Grants	PG-S1	84.173	171,847		197,590	
Total Special Education Cluster			3,078,422		3,105,767	
Adult Education - Basic Grants to States	AB-S1	84.002	286,980		544,540	
Grants to Local Educational Agencies (ESEA Title I)	C1-SS/SD	84.010	5,682,260		6,353,661	

**YONGGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007  
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF EDUCATION (Continued)</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Education for Homeless Children and Youth	HC-S1	84.196	103,262		100,805	
21st Century Community Learning Centers	T1-S1	84.287	279,582		320,362	
State Grants for Innovative Programs	C2-S1	84.298	36,696		28,195	
Education Technology State Grants	TJ-S1	84.318	68,504		48,172	
Comprehensive School Reform Demonstration	RF-S3	84.332	43,145		43,665	
Reading First State Grants	RS-S1	84.357	411,189		626,375	
English Language Acquisition Grants	T3-S1	84.365	40,352		41,462	
Improving Teacher Quality State Grants	TR-S1	84.367	1,319,005		1,148,397	
Hurricane Katrina Fund	HR-01	84.938	9,750		9,750	
Total U.S. Department of Education			<b>12,704,193</b>		<b>13,623,818</b>	
<b><u>Corp. for National &amp; Community Service</u></b>						
<i>Direct Program</i>						
Americorps	---	94.006	88,680		88,398	
<b>Totals</b>			<b>15,669,038</b>	<b>\$300,731</b>	<b>16,588,381</b>	<b>\$300,731</b>

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



**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the "Schedule") summarizes 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 entitlement 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.

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# 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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2008, 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated December 1, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 1, 2008.

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. We intend it for no one other than these specified parties.



**Robert R. Hinkle, CPA**  
Chief Deputy Auditor

December 1, 2008



# 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, 2007. 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, 2007.

#### **Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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 1, 2008

**YOUNGSTOWN CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Reading First - CFDA # 84.357 Improving Teacher Quality - CFDA # 84.367 Adult basic Education - CFDA # 84.002 Nutrition Cluster - CFDA # 10.553, 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 506,673 Type B: All others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

NONE

**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, 2007**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2006-001	An overpayment of salary to Mr. William Esterly in the amount of \$630 for fiscal year 2006.	Yes	
2006-002	Ohio Revised Code Section 5705.10 (H), the General Fund had a negative cash balance of \$1,058,017 at June 30, 2006.	Yes	
2006-003	Ohio Revised Code Section 5705.39, appropriations exceeded estimated revenue in the General Fund at June 30, 2006.	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  
JANUARY 13, 2009**