

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 1998**

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Youngstown City School District, Mahoning County, (the District) as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above do not include the General Fixed Asset Account Group. Additionally, the District has not recorded property, buildings and equipment or related depreciation for its Proprietary Fund Types. Generally accepted accounting principles require that property, buildings, and equipment be reported at cost or estimated cost, and that such proprietary fund type assets be reduced by depreciation. The amounts that should have been reported in order to comply with generally accepted accounting principles are not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Youngstown City School District, Mahoning County, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As more fully described in Note 3 to the accompanying general purpose financial statements, certain changes in accounting policies and financial reporting practices were made which were required in order to comply with generally accepted accounting principles. Such changes were adopted effective July 1, 1997, and to implement those changes, adjustments were made to restate fund balances and retained earnings as of that date.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 1999 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



JIM PETRO
Auditor of State

December 21, 1999

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Youngstown City School District
Combined Balance Sheet
All Fund Types and Account Group
June 30, 1998

| | Governmental Fund Types | | | |
|---|-------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Assets and Other Debits | | | | |
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$6,874,339 | \$3,595,388 | \$536 | \$1,416,479 |
| Cash and Cash Equivalents With Fiscal Agents | 1,944,050 | 0 | 0 | 0 |
| Receivables: | | | | |
| Taxes | 20,720,731 | 0 | 486,916 | 1,607,060 |
| Accounts | 4,701 | 176 | 0 | 0 |
| Intergovernmental | 10,328 | 2,160,727 | 0 | 0 |
| Interfund Receivable | 427,785 | 0 | 0 | 0 |
| Due from Other Funds | 4,680 | 3,798 | 0 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 | 0 |
| Materials and Supplies Inventory | 260,170 | 0 | 0 | 0 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 476,555 | 0 | 0 | 0 |
| Other Debits | | | | |
| Amount Available in Debt Service Fund for Retirement of General Obligations | 0 | 0 | 0 | 0 |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | \$30,723,339 | \$5,760,089 | \$487,452 | \$3,023,539 |

| Proprietary Fund Types | | Fiduciary Fund Types | Account Group | |
|---------------------------|---------------------|-------------------------|-------------------------------------|--------------------------------|
| Enterprise | Internal Service | Trust and Agency | General Long-Term Obligations | Totals (Memorandum Only) |
| \$697,104 | \$1,377,817 | \$360,167 | \$0 | \$14,321,830 |
| 0 | 0 | 0 | 0 | 1,944,050 |
| 0 | 0 | 0 | 0 | 22,814,707 |
| 1,120 | 3,444 | 0 | 0 | 9,441 |
| 519,977 | 0 | 0 | 0 | 2,691,032 |
| 0 | 0 | 0 | 0 | 427,785 |
| 6,023 | 0 | 0 | 0 | 14,501 |
| 199,127 | 0 | 0 | 0 | 199,127 |
| 5,626 | 0 | 0 | 0 | 265,796 |
| 0 | 0 | 0 | 0 | 476,555 |
| 0 | 0 | 0 | 536 | 536 |
| 0 | 0 | 0 | 7,298,367 | 7,298,367 |
| <u>\$1,428,977</u> | <u>\$1,381,261</u> | <u>\$360,167</u> | <u>\$7,298,903</u> | <u>\$50,463,727</u> |

(continued)

Youngstown City School District
Combined Balance Sheet
All Fund Types and Account Group (continued)
 June 30, 1998

| | Governmental Fund Types | | | |
|---|-------------------------|--------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <i>Liabilities,</i> | | | | |
| <i>Fund Equity and Other Credits</i> | | | | |
| Liabilities | | | | |
| Accounts Payable | \$348,868 | \$326,635 | \$0 | \$458,182 |
| Contracts Payable | 0 | 12,500 | 0 | 0 |
| Accrued Wages and Benefits | 5,515,243 | 1,666,710 | 0 | 0 |
| Compensated Absences Payable | 257,477 | 21,355 | 0 | 0 |
| Interfund Payable | 0 | 227,785 | 0 | 0 |
| Due to Other Funds | 1,806 | 12,695 | 0 | 0 |
| Intergovernmental Payable | 1,208,094 | 347,485 | 0 | 0 |
| Deferred Revenue | 20,720,731 | 0 | 486,916 | 1,607,060 |
| Undistributed Monies | 0 | 0 | 0 | 0 |
| Due to Students | 0 | 0 | 0 | 0 |
| Accrued Interest Payable | 424,386 | 0 | 0 | 116,483 |
| Loans Payable | 0 | 0 | 0 | 0 |
| Claims Payable | 0 | 0 | 0 | 0 |
| Energy Conservation Loan Payable | 0 | 0 | 0 | 6,220,000 |
| Asbestos Removal Loan Payable | 0 | 0 | 0 | 0 |
| State Operating Loan Payable | 32,444,167 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| Total Liabilities | 60,920,772 | 2,615,165 | 486,916 | 8,401,725 |
| Fund Equity and Other Credits | | | | |
| Retained Earnings: | | | | |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 442,877 | 720,563 | 0 | 445,656 |
| Reserved for Inventory | 260,170 | 0 | 0 | 0 |
| Reserved for Budget Stabilization | 476,555 | 0 | 0 | 0 |
| Unreserved, Undesignated (Deficit) | (31,377,035) | 2,424,361 | 536 | (5,823,842) |
| Total Fund Equity (Deficit) and Other Credits | (30,197,433) | 3,144,924 | 536 | (5,378,186) |
| Total Liabilities, Fund Equity and Other Credits | \$30,723,339 | \$5,760,089 | \$487,452 | \$3,023,539 |

See accompanying notes to the general purpose financial statements

| Proprietary Fund Types | | Fiduciary Fund Types | Account Group | |
|---------------------------|---------------------|-------------------------|-------------------------------------|--------------------------------|
| Enterprise | Internal Service | Trust and Agency | General Long-Term Obligations | Totals (Memorandum Only) |
| \$51,908 | \$36,223 | \$54,737 | \$0 | \$1,276,553 |
| 0 | 0 | 0 | 0 | 12,500 |
| 101,262 | 0 | 0 | 0 | 7,283,215 |
| 194,718 | 0 | 0 | 3,923,329 | 4,396,879 |
| 200,000 | 0 | 0 | 0 | 427,785 |
| 0 | 0 | 0 | 0 | 14,501 |
| 239,852 | 0 | 0 | 703,288 | 2,498,719 |
| 19,767 | 0 | 0 | 0 | 22,834,474 |
| 0 | 0 | 6,282 | 0 | 6,282 |
| 0 | 0 | 102,844 | 0 | 102,844 |
| 0 | 0 | 0 | 0 | 540,869 |
| 0 | 0 | 0 | 274,007 | 274,007 |
| 0 | 1,172,894 | 0 | 664,297 | 1,837,191 |
| 0 | 0 | 0 | 0 | 6,220,000 |
| 0 | 0 | 0 | 313,982 | 313,982 |
| 0 | 0 | 0 | 0 | 32,444,167 |
| 0 | 0 | 0 | 1,420,000 | 1,420,000 |
| <u>807,507</u> | <u>1,209,117</u> | <u>163,863</u> | <u>7,298,903</u> | <u>81,903,968</u> |
| 621,470 | 172,144 | 0 | 0 | 793,614 |
| 0 | 0 | 2,803 | 0 | 1,611,899 |
| 0 | 0 | 0 | 0 | 260,170 |
| 0 | 0 | 0 | 0 | 476,555 |
| 0 | 0 | 193,501 | 0 | (34,582,479) |
| <u>621,470</u> | <u>172,144</u> | <u>196,304</u> | <u>0</u> | <u>(31,440,241)</u> |
| <u>\$1,428,977</u> | <u>\$1,381,261</u> | <u>\$360,167</u> | <u>\$7,298,903</u> | <u>\$50,463,727</u> |

Youngstown City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*
All Governmental Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1998

| | Governmental Fund Types | | |
|--|-------------------------|--------------------|----------------|
| | General | Special Revenue | Debt Service |
| Revenues | | | |
| Taxes | \$19,044,728 | \$0 | \$319,685 |
| Intergovernmental | 48,993,278 | 19,914,245 | 0 |
| Interest | 1,352,117 | 23,273 | 0 |
| Tuition and Fees | 144,157 | 0 | 0 |
| Extracurricular Activities | 0 | 379,250 | 0 |
| Contributions and Donations | 800 | 41,723 | 0 |
| Rentals | 135,461 | 0 | 0 |
| Miscellaneous | 603,885 | 88,360 | 0 |
| Total Revenues | 70,274,426 | 20,446,851 | 319,685 |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 20,909,776 | 756,181 | 0 |
| Special | 8,514,383 | 9,460,015 | 0 |
| Vocational | 3,416,051 | 145,879 | 0 |
| Adult/Continuing | 36 | 375,869 | 0 |
| Support Services: | | | |
| Pupils | 2,469,245 | 2,510,843 | 0 |
| Instructional Staff | 2,252,955 | 3,042,664 | 0 |
| Board of Education | 760,165 | 1,576 | 0 |
| Administration | 5,524,684 | 771,829 | 0 |
| Fiscal | 1,357,675 | 301,912 | 0 |
| Business | 969,340 | 11,017 | 0 |
| Operation and Maintenance of Plant | 9,292,668 | 220,543 | 0 |
| Pupil Transportation | 3,882,492 | 64,008 | 0 |
| Central | 7,470,967 | 30,968 | 0 |
| Operation of Non-Instructional Services | 55,275 | 2,324,619 | 0 |
| Extracurricular Activities | 457,498 | 267,400 | 0 |
| Capital Outlay | 0 | 113,935 | 0 |
| Debt Service: | | | |
| Principal Retirement | 142,842 | 0 | 285,422 |
| Interest and Fiscal Charges | 2,071,363 | 0 | 33,727 |
| Total Expenditures | 69,547,415 | 20,399,258 | 319,149 |
| Excess of Revenues Over (Under) Expenditures | 727,011 | 47,593 | 536 |
| Other Financing Sources (Uses) | | | |
| Proceeds of Notes | 241,758 | 0 | 0 |
| Proceeds from Sale of Fixed Assets | 26,425 | 0 | 0 |
| Operating Transfers In | 0 | 556,207 | 0 |
| Operating Transfers Out | (560,965) | 0 | 0 |
| Total Other Financing Sources (Uses) | (292,782) | 556,207 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 434,229 | 603,800 | 536 |
| Fund Balances (Deficit) Beginning of Year (Restated Note 3) | (30,572,953) | 2,541,124 | 0 |
| Decrease in Reserve for Inventory | (58,709) | 0 | 0 |
| Fund Balances (Deficit) End of Year | (\$30,197,433) | \$3,144,924 | \$536 |

See accompanying notes to the general purpose financial statements

| Capital Projects | Fiduciary Fund Type Expendable Trust | Totals (Memorandum Only) |
|----------------------|---|--------------------------------|
| \$1,749,845 | \$0 | \$21,114,258 |
| 493,520 | 63,806 | 69,464,849 |
| 0 | 0 | 1,375,390 |
| 0 | 0 | 144,157 |
| 0 | 0 | 379,250 |
| 0 | 69,970 | 112,493 |
| 0 | 0 | 135,461 |
| 38,810 | 0 | 731,055 |
| <u>2,282,175</u> | <u>133,776</u> | <u>93,456,913</u> |
| 0 | 0 | 21,665,957 |
| 0 | 0 | 17,974,398 |
| 0 | 135,171 | 3,697,101 |
| 0 | 0 | 375,905 |
| 0 | 0 | 4,980,088 |
| 0 | 0 | 5,295,619 |
| 0 | 0 | 761,741 |
| 0 | 0 | 6,296,513 |
| 0 | 0 | 1,659,587 |
| 0 | 0 | 980,357 |
| 0 | 0 | 9,513,211 |
| 0 | 0 | 3,946,500 |
| 0 | 0 | 7,501,935 |
| 0 | 0 | 2,379,894 |
| 0 | 0 | 724,898 |
| 1,850,433 | 0 | 1,964,368 |
| 0 | 0 | 428,264 |
| 439,926 | 0 | 2,545,016 |
| <u>2,290,359</u> | <u>135,171</u> | <u>92,691,352</u> |
| <u>(8,184)</u> | <u>(1,395)</u> | <u>765,561</u> |
| 0 | 0 | 241,758 |
| 0 | 0 | 26,425 |
| 0 | 4,758 | 560,965 |
| 0 | 0 | (560,965) |
| <u>0</u> | <u>4,758</u> | <u>268,183</u> |
| (8,184) | 3,363 | 1,033,744 |
| (5,370,002) | 192,941 | (33,208,890) |
| <u>0</u> | <u>0</u> | <u>(58,709)</u> |
| <u>(\$5,378,186)</u> | <u>\$196,304</u> | <u>(\$32,233,855)</u> |

Youngstown City School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund
For the Fiscal Year Ended June 30, 1998*

| | General Fund | | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|--|
| | Revised Budget | Actual | |
| Revenues | | | |
| Taxes | \$14,411,529 | \$14,410,336 | (\$1,193) |
| Intergovernmental | 34,749,422 | 35,486,194 | 736,772 |
| Interest | 1,272,750 | 1,352,677 | 79,927 |
| Tuition and Fees | 151,973 | 151,538 | (435) |
| Extracurricular Activities | 0 | 0 | 0 |
| Contributions and Donations | 800 | 800 | 0 |
| Rentals | 134,156 | 133,910 | (246) |
| Miscellaneous | 599,461 | 599,907 | 446 |
| Total Revenues | 51,320,091 | 52,135,362 | 815,271 |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 22,761,245 | 22,491,502 | 269,743 |
| Special | 7,558,873 | 7,458,680 | 100,193 |
| Vocational | 3,104,439 | 3,088,740 | 15,699 |
| Adult/Continuing | 99 | 36 | 63 |
| Support Services: | | | |
| Pupils | 2,429,517 | 2,332,320 | 97,197 |
| Instructional Staff | 2,245,390 | 2,192,823 | 52,567 |
| Board of Education | 793,881 | 747,822 | 46,059 |
| Administration | 5,578,503 | 5,411,964 | 166,539 |
| Fiscal | 1,117,485 | 1,101,485 | 16,000 |
| Business | 989,623 | 967,645 | 21,978 |
| Operation and Maintenance of Plant | 9,426,666 | 9,362,620 | 64,046 |
| Pupil Transportation | 4,168,149 | 4,144,041 | 24,108 |
| Central | 7,954,181 | 7,939,823 | 14,358 |
| Operation of Non-Instructional Services | 49,405 | 48,615 | 790 |
| Extracurricular Activities | 455,646 | 453,254 | 2,392 |
| Capital Outlay | 0 | 0 | 0 |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| Total Expenditures | 68,633,102 | 67,741,370 | 891,732 |
| Excess of Revenues Over (Under) Expenditures | (17,313,011) | (15,606,008) | 1,707,003 |
| Other Financing Sources (Uses) | | | |
| Proceeds of Notes | 21,941,758 | 21,941,758 | 0 |
| Proceeds from Sale of Fixed Assets | 26,422 | 26,425 | 3 |
| Advances In | 311,261 | 311,261 | 0 |
| Advances Out | (185,771) | (239,297) | (53,526) |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | 0 | (560,965) | (560,965) |
| Total Other Financing Sources (Uses) | 22,093,670 | 21,479,182 | (614,488) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 4,780,659 | 5,873,174 | 1,092,515 |
| Fund Balances (Deficit) Beginning of Year | (341,711) | (341,711) | 0 |
| Prior Year Encumbrances Appropriated | 750,035 | 750,035 | 0 |
| Fund Balances End of Year | \$5,188,983 | \$6,281,498 | \$1,092,515 |

| Special Revenue Funds | | | Debt Service Fund | | |
|-----------------------|--------------------|----------------------------------|-------------------|-------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$6,703,922 | \$6,703,922 | \$0 |
| 18,359,929 | 18,518,546 | 158,617 | 14,540,092 | 14,540,092 | 0 |
| 23,273 | 23,273 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 378,824 | 378,824 | 0 | 0 | 0 | 0 |
| 41,723 | 41,723 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 86,278 | 88,580 | 2,302 | 0 | 0 | 0 |
| <u>18,890,027</u> | <u>19,050,946</u> | <u>160,919</u> | <u>21,244,014</u> | <u>21,244,014</u> | <u>0</u> |
| 1,184,348 | 750,841 | 433,507 | 0 | 0 | 0 |
| 8,514,700 | 9,591,069 | (1,076,369) | 0 | 0 | 0 |
| 175,077 | 166,093 | 8,984 | 0 | 0 | 0 |
| 414,996 | 389,677 | 25,319 | 0 | 0 | 0 |
| 3,091,430 | 2,601,410 | 490,020 | 0 | 0 | 0 |
| 2,912,467 | 3,077,608 | (165,141) | 0 | 0 | 0 |
| 14,500 | 1,765 | 12,735 | 0 | 0 | 0 |
| 1,102,762 | 883,926 | 218,836 | 0 | 0 | 0 |
| 354,600 | 301,912 | 52,688 | 0 | 0 | 0 |
| 2,650 | 11,017 | (8,367) | 0 | 0 | 0 |
| 284,378 | 225,585 | 58,793 | 0 | 0 | 0 |
| 141,312 | 71,932 | 69,380 | 0 | 0 | 0 |
| 50,501 | 32,138 | 18,363 | 0 | 0 | 0 |
| 2,537,012 | 2,810,547 | (273,535) | 0 | 0 | 0 |
| 461,652 | 274,906 | 186,746 | 0 | 0 | 0 |
| 119,441 | 114,535 | 4,906 | 0 | 0 | 0 |
| 0 | 0 | 0 | 18,749,755 | 18,749,755 | 0 |
| 0 | 0 | 0 | 2,493,723 | 2,493,723 | 0 |
| <u>21,361,826</u> | <u>21,304,961</u> | <u>56,865</u> | <u>21,243,478</u> | <u>21,243,478</u> | <u>0</u> |
| <u>(2,471,799)</u> | <u>(2,254,015)</u> | <u>217,784</u> | <u>536</u> | <u>536</u> | <u>0</u> |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 41,589 | 41,589 | 0 | 0 | 0 | 0 |
| (316,053) | (316,053) | 0 | 0 | 0 | 0 |
| 556,207 | 556,207 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| <u>281,743</u> | <u>281,743</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| (2,190,056) | (1,972,272) | 217,784 | 536 | 536 | 0 |
| 2,667,068 | 2,667,068 | 0 | 0 | 0 | 0 |
| 1,470,465 | 1,470,465 | 0 | 0 | 0 | 0 |
| <u>\$1,947,477</u> | <u>\$2,165,261</u> | <u>\$217,784</u> | <u>\$536</u> | <u>\$536</u> | <u>\$0</u> |

(continued)

Youngstown City School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund (continued)
For the Fiscal Year Ended June 30, 1998

| | Capital Projects Funds | | |
|--|------------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Taxes | \$0 | \$0 | \$0 |
| Intergovernmental | 1,993,520 | 493,520 | (1,500,000) |
| Interest | 0 | 0 | 0 |
| Tuition and Fees | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Contributions and Donations | 0 | 0 | 0 |
| Rentals | 0 | 0 | 0 |
| Miscellaneous | 38,810 | 38,810 | 0 |
| Total Revenues | 2,032,330 | 532,330 | (1,500,000) |
| Expenditures | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 0 | 0 | 0 |
| Special | 0 | 0 | 0 |
| Vocational | 0 | 0 | 0 |
| Adult/Continuing | 0 | 0 | 0 |
| Support Services: | | | |
| Pupils | 11,500 | 11,481 | 19 |
| Instructional Staff | 2,045,740 | 1,996,673 | 49,067 |
| Board of Education | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 |
| Fiscal | 0 | 0 | 0 |
| Business | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 1,517 | 1,485 | 32 |
| Pupil Transportation | 0 | 0 | 0 |
| Central | 157,722 | 157,249 | 473 |
| Operation of Non-Instructional Services | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Capital Outlay | 20,000 | 126,724 | (106,724) |
| Debt Service: | | | |
| Principal Retirement | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 |
| Total Expenditures | 2,236,479 | 2,293,612 | (57,133) |
| Excess of Revenues Over (Under) Expenditures | (204,149) | (1,761,282) | (1,557,133) |
| Other Financing Sources (Uses) | | | |
| Proceeds of Notes | 0 | 0 | 0 |
| Proceeds from Sale of Fixed Assets | 0 | 0 | 0 |
| Advances In | 2,500 | 2,500 | 0 |
| Advances Out | 0 | 0 | 0 |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 2,500 | 2,500 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (201,649) | (1,758,782) | (1,557,133) |
| Fund Balances (Deficit) Beginning of Year | 1,107,439 | 1,107,439 | 0 |
| Prior Year Encumbrances Appropriated | 1,167,484 | 1,167,484 | 0 |
| Fund Balances End of Year | \$2,073,274 | \$516,141 | (\$1,557,133) |

See accompanying notes to the general purpose financial statements

| Expendable Trust Fund | | | Totals (Memorandum Only) | | |
|-----------------------|-----------|----------------------------------|-----------------------------|--------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$0 | \$0 | \$0 | \$21,115,451 | \$21,114,258 | (\$1,193) |
| 0 | 63,806 | 63,806 | 69,642,963 | 69,102,158 | (540,805) |
| 0 | 0 | 0 | 1,296,023 | 1,375,950 | 79,927 |
| 0 | 0 | 0 | 151,973 | 151,538 | (435) |
| 0 | 0 | 0 | 378,824 | 378,824 | 0 |
| 0 | 69,970 | 69,970 | 42,523 | 112,493 | 69,970 |
| 0 | 0 | 0 | 134,156 | 133,910 | (246) |
| 0 | 0 | 0 | 724,549 | 727,297 | 2,748 |
| 0 | 133,776 | 133,776 | 93,486,462 | 93,096,428 | (390,034) |
| 0 | 0 | 0 | 23,945,593 | 23,242,343 | 703,250 |
| 0 | 0 | 0 | 16,073,573 | 17,049,749 | (976,176) |
| 159,950 | 135,171 | 24,779 | 3,439,466 | 3,390,004 | 49,462 |
| 0 | 0 | 0 | 415,095 | 389,713 | 25,382 |
| 0 | 0 | 0 | 5,532,447 | 4,945,211 | 587,236 |
| 500 | 0 | 500 | 7,204,097 | 7,267,104 | (63,007) |
| 0 | 0 | 0 | 808,381 | 749,587 | 58,794 |
| 0 | 0 | 0 | 6,681,265 | 6,295,890 | 385,375 |
| 0 | 0 | 0 | 1,472,085 | 1,403,397 | 68,688 |
| 0 | 0 | 0 | 992,273 | 978,662 | 13,611 |
| 3,400 | 2,803 | 597 | 9,715,961 | 9,592,493 | 123,468 |
| 0 | 0 | 0 | 4,309,461 | 4,215,973 | 93,488 |
| 0 | 0 | 0 | 8,162,404 | 8,129,210 | 33,194 |
| 0 | 0 | 0 | 2,586,417 | 2,859,162 | (272,745) |
| 0 | 0 | 0 | 917,298 | 728,160 | 189,138 |
| 0 | 0 | 0 | 139,441 | 241,259 | (101,818) |
| 0 | 0 | 0 | 18,749,755 | 18,749,755 | 0 |
| 0 | 0 | 0 | 2,493,723 | 2,493,723 | 0 |
| 163,850 | 137,974 | 25,876 | 113,638,735 | 112,721,395 | 917,340 |
| (163,850) | (4,198) | 159,652 | (20,152,273) | (19,624,967) | 527,306 |
| 0 | 0 | 0 | 21,941,758 | 21,941,758 | 0 |
| 0 | 0 | 0 | 26,422 | 26,425 | 3 |
| 0 | 0 | 0 | 355,350 | 355,350 | 0 |
| 0 | 0 | 0 | (501,824) | (555,350) | (53,526) |
| 0 | 4,758 | 4,758 | 556,207 | 560,965 | 4,758 |
| 0 | 0 | 0 | 0 | (560,965) | (560,965) |
| 0 | 4,758 | 4,758 | 22,377,913 | 21,768,183 | (609,730) |
| (163,850) | 560 | 164,410 | 2,225,640 | 2,143,216 | (82,424) |
| 167,746 | 167,746 | 0 | 3,600,542 | 3,600,542 | 0 |
| 25,195 | 25,195 | 0 | 3,413,179 | 3,413,179 | 0 |
| \$29,091 | \$193,501 | \$164,410 | \$9,239,361 | \$9,156,937 | (\$82,424) |

Youngstown City School District
*Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1998*

| | Enterprise | Internal Service | Totals (Memorandum Only) |
|--|--------------------|---------------------|--------------------------------|
| Operating Revenues | | | |
| Tuition | \$703,891 | \$0 | \$703,891 |
| Sales | 367,241 | 0 | 367,241 |
| Charges for Services | 0 | 8,106,757 | 8,106,757 |
| Other | 380 | 0 | 380 |
| <i>Total Operating Revenues</i> | <u>1,071,512</u> | <u>8,106,757</u> | <u>9,178,269</u> |
| Operating Expenses | | | |
| Salaries | 1,521,660 | 0 | 1,521,660 |
| Fringe Benefits | 910,595 | 0 | 910,595 |
| Purchased Services | 64,610 | 243,828 | 308,438 |
| Materials and Supplies | 53,453 | 0 | 53,453 |
| Cost of Sales | 2,037,706 | 0 | 2,037,706 |
| Claims | 0 | 7,574,292 | 7,574,292 |
| Other | 9,820 | 0 | 9,820 |
| <i>Total Operating Expenses</i> | <u>4,597,844</u> | <u>7,818,120</u> | <u>12,415,964</u> |
| <i>Operating Income (Loss)</i> | <u>(3,526,332)</u> | <u>288,637</u> | <u>(3,237,695)</u> |
| Non-Operating Revenues | | | |
| Federal Donated Commodities | 290,623 | 0 | 290,623 |
| Operating Grants | 3,335,586 | 0 | 3,335,586 |
| <i>Total Non-Operating Revenues</i> | <u>3,626,209</u> | <u>0</u> | <u>3,626,209</u> |
| <i>Net Income</i> | 99,877 | 288,637 | 388,514 |
| Retained Earnings (Deficit) | | | |
| <i>Beginning of Year (Restated Note 3)</i> | <u>521,593</u> | <u>(116,493)</u> | <u>405,100</u> |
| <i>Retained Earnings End of Year</i> | <u>\$621,470</u> | <u>\$172,144</u> | <u>\$793,614</u> |

See accompanying notes to the general purpose financial statements

Youngstown City School District
*Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1998*

| | Enterprise Funds | | |
|--|-------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Tuition | \$619,570 | \$703,761 | \$84,191 |
| Sales | 354,582 | 354,582 | 0 |
| Charges for Services | 0 | 0 | 0 |
| Operating Grants | 3,320,181 | 3,323,115 | 2,934 |
| Other | 380 | 380 | 0 |
| <i>Total Revenues</i> | <u>4,294,713</u> | <u>4,381,838</u> | <u>87,125</u> |
| Expenses | | | |
| Salaries | 1,479,794 | 1,564,107 | (84,313) |
| Fringe Benefits | 986,862 | 909,354 | 77,508 |
| Purchased Services | 196,281 | 117,680 | 78,601 |
| Materials and Supplies | 2,075,627 | 1,930,028 | 145,599 |
| Claims | 0 | 0 | 0 |
| Other | 12,787 | 9,820 | 2,967 |
| <i>Total Expenses</i> | <u>4,751,351</u> | <u>4,530,989</u> | <u>220,362</u> |
| <i>Excess of Revenues Over (Under) Expenses</i> | (456,638) | (149,151) | 307,487 |
| Advances In | 200,000 | 200,000 | 0 |
| <i>Excess of Revenues Over (Under) Expenses and Advances</i> | (256,638) | 50,849 | 307,487 |
| <i>Fund Equity Beginning of Year</i> | 342,840 | 342,840 | 0 |
| Prior Year Encumbrances Appropriated | 162,893 | 162,893 | 0 |
| <i>Fund Equity End of Year</i> | <u>\$249,095</u> | <u>\$556,582</u> | <u>\$307,487</u> |

(continued)

Youngstown City School District
*Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
 All Proprietary Fund Types (continued)
 For the Fiscal Year Ended June 30, 1998*

| | Internal Service Fund | | |
|--|-----------------------|--------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues | | | |
| Tuition | \$0 | \$0 | \$0 |
| Sales | 0 | 0 | 0 |
| Charges for Services | 8,095,591 | 8,106,241 | 10,650 |
| Operating Grants | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| <i>Total Revenues</i> | <u>8,095,591</u> | <u>8,106,241</u> | <u>10,650</u> |
| Expenses | | | |
| Salaries | 0 | 0 | 0 |
| Fringe Benefits | 0 | 0 | 0 |
| Purchased Services | 208,356 | 209,005 | (649) |
| Materials and Supplies | 0 | 0 | 0 |
| Claims | 7,073,265 | 7,168,484 | (95,219) |
| Other | 0 | 0 | 0 |
| <i>Total Expenses</i> | <u>7,281,621</u> | <u>7,377,489</u> | <u>(95,868)</u> |
| <i>Excess of Revenues Over (Under) Expenses</i> | 813,970 | 728,752 | (85,218) |
| Advances In | 0 | 0 | 0 |
| <i>Excess of Revenues Over (Under) Expenses and Advances</i> | 813,970 | 728,752 | (85,218) |
| <i>Fund Equity Beginning of Year</i> | 639,395 | 639,395 | 0 |
| Prior Year Encumbrances Appropriated | 2,800 | 2,800 | 0 |
| <i>Fund Equity End of Year</i> | <u>\$1,456,165</u> | <u>\$1,370,947</u> | <u>(\$85,218)</u> |

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

| Revised Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|--|
| \$619,570 | \$703,761 | \$84,191 |
| 354,582 | 354,582 | 0 |
| 8,095,591 | 8,106,241 | 10,650 |
| 3,320,181 | 3,323,115 | 2,934 |
| 380 | 380 | 0 |
| <u>12,390,304</u> | <u>12,488,079</u> | <u>97,775</u> |
| 1,479,794 | 1,564,107 | (84,313) |
| 986,862 | 909,354 | 77,508 |
| 404,637 | 326,685 | 77,952 |
| 2,075,627 | 1,930,028 | 145,599 |
| 7,073,265 | 7,168,484 | (95,219) |
| 12,787 | 9,820 | 2,967 |
| <u>12,032,972</u> | <u>11,908,478</u> | <u>124,494</u> |
| 357,332 | 579,601 | 222,269 |
| <u>200,000</u> | <u>200,000</u> | <u>0</u> |
| 557,332 | 779,601 | 222,269 |
| 982,235 | 982,235 | 0 |
| <u>165,693</u> | <u>165,693</u> | <u>0</u> |
| <u>\$1,705,260</u> | <u>\$1,927,529</u> | <u>\$222,269</u> |

Youngstown City School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1998

| | Proprietary Fund Types | | Totals (Memorandum Only) |
|--|---------------------------|---------------------|--------------------------------|
| | Enterprise | Internal Service | |
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | | |
| <i>Cash Flows from Operating Activities</i> | | | |
| Cash Received from Customers | \$354,582 | \$0 | \$354,582 |
| Cash Received from Tuition Payments | 704,115 | 0 | 704,115 |
| Cash Received from Charges for Services | 0 | 8,106,241 | 8,106,241 |
| Cash Payments to Suppliers for Goods and Services | (1,986,272) | (209,005) | (2,195,277) |
| Cash Payments to Employees for Services | (1,564,139) | 0 | (1,564,139) |
| Cash Payments for Employee Benefits | (830,590) | 0 | (830,590) |
| Cash Payments for Claims | 0 | (7,161,614) | (7,161,614) |
| Cash Received from Other Operating Revenues | 380 | 0 | 380 |
| Cash Payments for Other Operating Expenses | (9,820) | 0 | (9,820) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | (3,331,744) | 735,622 | (2,596,122) |
| <i>Cash Flows from Noncapital Financing Activities</i> | | | |
| Operating Grants Received | 3,323,115 | 0 | 3,323,115 |
| Advance In | 200,000 | 0 | 200,000 |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | 3,523,115 | 0 | 3,523,115 |
| <i>Net Increase in Cash and Cash Equivalents</i> | 191,371 | 735,622 | 926,993 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 505,733 | 642,195 | 1,147,928 |
| <i>Cash and Cash Equivalents End of Year</i> | \$697,104 | \$1,377,817 | \$2,074,921 |

(continued)

Youngstown City School District
Combined Statement of Cash Flows
All Proprietary Fund Types (continued)
For the Fiscal Year Ended June 30, 1998

| | Proprietary Fund Types | | Totals (Memorandum Only) |
|---|---------------------------|---------------------|--------------------------------|
| | Enterprise | Internal Service | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | |
| <i>Operating Income (Loss)</i> | (\$3,526,332) | \$288,637 | (\$3,237,695) |
| <i>Adjustments:</i> | | | |
| Donated Commodities Used During Year | 290,623 | 0 | 290,623 |
| (Increase)/Decrease in Assets: | | | |
| Accounts Receivable | (620) | (516) | (1,136) |
| Intergovernmental Receivable | (130) | 0 | (130) |
| Due from Other Funds | (6,023) | 0 | (6,023) |
| Inventory Held for Resale | (64,399) | 0 | (64,399) |
| Materials and Supplies Inventory | (5,626) | 0 | (5,626) |
| Increase/(Decrease) in Liabilities: | | | |
| Accounts Payable | (9,616) | 34,823 | 25,207 |
| Accrued Wages and Benefits | 1,700 | 0 | 1,700 |
| Compensated Absences Payable | (14,344) | 0 | (14,344) |
| Intergovernmental Payable | 3,023 | 0 | 3,023 |
| Claims Payable | 0 | 412,678 | 412,678 |
| <i>Total Adjustments</i> | 194,588 | 446,985 | 641,573 |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | (\$3,331,744) | \$735,622 | (\$2,596,122) |

See accompanying notes to the general purpose financial statements

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

Note 1 - Description of the School District

Youngstown City School District (School District) operates under a locally-elected seven-member Board and provides educational services as authorized by State and/or federal agencies. The Board controls the School District's six instructional support facilities staffed by 957 non-certificated and 700 certified full-time teaching personnel and 63 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 1998 fiscal year was 12,517. The School District operates thirteen elementary schools (K-5), four middle schools (6-8), and four high schools (9-12).

On September 20, 1996, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. New legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the new law, a seven-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt, and implement a five year financial recovery plan (Plan). The Commission accordingly adopted the School District's Plan in June 1998. The Commission is comprised of the State Superintendent of Public Instruction, the School District Superintendent, State Director of Budget and Management, an appointee of the Superintendent of Public Instruction, an appointee of the governor and an appointee of the mayor of the City of Youngstown.

Reporting Entity

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

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

The following activities are included within the reporting entity:

Non-Public Schools - Within the School District boundaries, there are various non-public schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed by the School District on behalf of the parochial school by the treasurer of the School District, as directed by the parochial school. The activity of these monies is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with the Area Cooperative Computerized Educational Service System, a jointly governed organization. This organization is presented in Note 16 to the General Purpose Financial Statements.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Note 2 - Summary of Significant Accounting Policies

The general purpose 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 issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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.

Special Revenue Funds Special revenue funds are established to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

Internal Service Fund This 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.

Fiduciary Fund Type Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Group To make a clear distinction between long-term liabilities related to specific funds and those of a general nature, the following account group is used:

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues for governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1998, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

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 the governmental funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Mahoning County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 1998.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except for agency funds, consistent with statutory provisions.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1998, investments were limited to Money Market mutual funds, Commercial Paper, Federal Farm Credit Notes, Federal Home Loan Notes, and STAR Ohio. These investments are reported at fair value which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1998.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1998 amounted to \$1,352,117, which includes \$601,458 assigned from other School District funds.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. These monies are presented on the combined balance sheet as "cash and cash equivalents with fiscal agents."

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with maturities of three months or less at the time they were purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of an inventory item is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$476,555 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "miscellaneous revenue" in the accompanying financial statements. A fund balance reserve has also been established.

G. Fixed Assets

General fixed assets are long-lived assets of the School District as a whole. As a departure from generally accepted accounting principles, the School District does not report fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

I. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds". Short-term interfund loans are classified as "interfund receivables/payables".

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits are reported as a liability in the general long-term obligation account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available resources. Bonds and long-term loans are reported as liabilities to the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District records reservations for 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 appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, for inventory and for budget stabilization.

N. Estimates

The preparation of the 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.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals-(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Change in Accounting Principles and Restatement of Fund Balances

For the year ended June 30, 1998, the School District has presented financial statements by fund type and account group in accordance with generally accepted accounting principles. In conjunction with this presentation, the School District has changed its basis of accounting from a cash basis to the modified accrual basis of accounting for its governmental and agency fund types and to the accrual basis for its proprietary funds. This change required that certain adjustments be recorded to the July 1, 1997, fund balances/retained earnings as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatements to the opening fund balances/retained earnings are as follows:

| Fund Type/Fund | Previously Stated Balance at 6/30/97 | Adjustments | Restated Balance at 7/1/97 |
|----------------------------|--|----------------|----------------------------------|
| <i>Governmental Funds:</i> | | | |
| General | \$349,507 | (\$30,922,460) | (\$30,572,953) |
| Special Revenue | 4,099,574 | (1,558,450) | 2,541,124 |
| Debt Service | 0 | 0 | 0 |
| Capital Projects | 2,274,923 | (7,644,925) | (5,370,002) |
| <i>Proprietary Funds:</i> | | | |
| Enterprise | 448,996 | 72,597 | 521,593 |

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

| | | | |
|-------------------------|---------|-----------|-----------|
| Internal Service | 657,794 | (774,287) | (116,493) |
| <i>Fiduciary Funds:</i> | | | |
| Expendable Trust | 192,941 | 0 | 192,941 |
| Agency | 100,820 | (100,820) | 0 |

Note 4 - Accountability and Compliance

A. Accountability

Fund balance/retained earnings at June 30, 1998, included the following individual fund deficits:

| | Deficit Fund Balance/Retained |
|---|-------------------------------|
| <i>General Fund:</i> | \$30,197,433 |
| <i>Special Revenue Funds:</i> | |
| Career Development | 8,608 |
| Education Mobility | 166 |
| Title VI | 15,412 |
| Drug Free | 33,358 |
| <i>Permanent Improvement Capital Projects</i> | 6,315,048 |
| <i>Adult Education Enterprise Fund</i> | 221,029 |

The general fund concluded fiscal year 1998 with a fund balance of (\$30,197,433). The general fund deficit balance resulted from the conversion to generally accepted accounting principles and from the requirement to report the State loan as a liability in the fund that received the note proceeds. The School District was placed in a state of fiscal emergency by the Auditor of State in 1996. A state oversight commission is in place to oversee all fiscal decisions and activities of the School District.

The deficits in special revenue and capital projects funds resulted from accrual accounting. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

The deficit retained earnings in the adult education enterprise fund resulted from adjustments for accrued liabilities. Management is analyzing these operations to determine appropriate steps to alleviate the deficit.

B. Legal Compliance

The following accounts have expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Ohio Revised Code:

| | Appropriations | Expenditures | Amount |
|-------------------------------|----------------|--------------|-----------|
| <i>General Fund:</i> | | | |
| Operating Transfer Out | \$0 | \$560,965 | \$560,965 |
| <i>Special Revenue Funds:</i> | | | |
| Local Grants Fund: | | | |
| Regular Instruction: | | | |
| Purchased Services | 1,214 | 2,549 | 1,335 |
| Support Services - Business: | | | |
| Purchased Services | 0 | 11,017 | 11,017 |
| Auxiliary Services: | | | |
| Non-Instructional Services: | | | |

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

| | Appropriations | Expenditures | Amount |
|--|----------------|--------------|----------|
| Materials and Supplies | 439,828 | 959,389 | 519,561 |
| Consumer Education: | | | |
| Support Services - Instructional | | | |
| Purchased Services | 1,609 | 4,246 | 2,637 |
| Urban Pilot: | | | |
| Regular Instruction: | | | |
| Purchased Services | 0 | 12,404 | 12,404 |
| Career Development: | | | |
| Support Services - Pupils: | | | |
| Salaries | 0 | 41,500 | 41,500 |
| Education Mobility: | | | |
| Support Services - Instructional Staff | | | |
| Salaries | 0 | 2,223 | 2,223 |
| Fringe Benefits | 0 | 629 | 629 |
| Purchased Services | 0 | 22,355 | 22,355 |
| Pregnancy Prevention: | | | |
| Regular Instruction: | | | |
| Purchased Services | 0 | 2,131 | 2,131 |
| Gifted Education: | | | |
| Special Instruction: | | | |
| Salaries | 0 | 9,206 | 9,206 |
| Fringe Benefits | 0 | 1,250 | 1,250 |
| Purchased Services | 0 | 4,373 | 4,373 |
| Materials and Supplies | 3,385 | 13,741 | 10,356 |
| Dropout Prevention: | | | |
| Regular Instruction: | | | |
| Purchased Services | 0 | 955 | 955 |
| Teacher Development: | | | |
| Support Services - Instructional | | | |
| Purchased Services | 38,876 | 86,613 | 47,737 |
| Title VI-B: | | | |
| Special Instruction: | | | |
| Materials and Supplies | \$0 | \$46,177 | \$46,177 |
| Support Services - Pupils: | | | |
| Purchased Services | 140,892 | 178,829 | 37,937 |
| Drug Free Schools: | | | |
| Support Services - Pupils: | | | |
| Salaries | 6,822 | 10,178 | 3,356 |
| Support Services - Instructional | | | |
| Purchased Services | 20,818 | 44,471 | 23,653 |
| Materials and Supplies | 0 | 12,452 | 12,452 |
| Support Services - Pupil | | | |
| Purchased Services | 6,942 | 6,944 | 2 |
| Non-Instructional Services: | | | |
| Purchased Services | 0 | 11,074 | 11,074 |
| Materials and Supplies | 0 | 7,704 | 7,704 |
| Preschool Grants: | | | |
| Special Instruction: | | | |

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

| | Appropriations | Expenditures | Amount |
|------------------------------------|----------------|--------------|-----------|
| Salaries | 0 | 14,905 | 14,905 |
| Support Services - Instructional | | | |
| Salaries | 5,794 | 61,152 | 55,358 |
| Chapter One: | | | |
| Special Instruction: | | | |
| Salaries | 1,917,034 | 3,690,616 | 1,773,582 |
| Support Services - Instructional | | | |
| Salaries | 545,271 | 745,281 | 200,010 |
| Fringe Benefits | 438,250 | 571,103 | 132,853 |
| Purchased Services | 51,729 | 51,730 | 1 |
| Support Services - Administration: | | | |
| Purchased Services | 2,230 | 2,231 | 1 |
| <i>Capital Projects Funds:</i> | | | |
| School Building Assistance | | | |
| Capital Outlay | | | |
| Site Improvement Services: | | | |
| Capital Outlay - New | 0 | 111,660 | 111,660 |
| <i>Enterprise Funds:</i> | | | |
| Food Service: | | | |
| Salaries | 956,440 | 1,059,373 | 102,933 |
| Special Enterprise: | | | |
| Salaries | 0 | 204 | 204 |
| Fringe Benefits | 0 | 32 | 32 |
| <i>Internal Service Fund:</i> | | | |
| Self Insurance: | | | |
| Purchased Services | 208,356 | 209,005 | 649 |
| Claims | 7,073,265 | 7,168,484 | 95,219 |

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

| | Revenues plus Carryover Balances | Appropriations | Amount |
|---------------------------------|---|----------------|---------|
| <i>Special Revenue Funds:</i> | | | |
| Management Information Systems | \$46,040 | \$47,205 | \$1,165 |
| Disadvantaged Pupil Impact Aid | 6,973,608 | 7,061,675 | 88,067 |
| Miscellaneous State Grants | 939,296 | 1,215,313 | 276,017 |
| Adult Basic Education | 429,768 | 454,882 | 25,114 |
| Impact Aid | 74,076 | 133,587 | 59,511 |
| Title III | 126,445 | 597,112 | 470,667 |
| Title VI-B | 912,843 | 923,738 | 10,895 |
| Title VI | 134,103 | 177,407 | 43,304 |
| Drug Free Schools | 143,769 | 179,683 | 35,914 |
| Miscellaneous Federal Grant | 263,939 | 289,515 | 25,576 |
| Adult Education Enterprise Fund | 844,885 | 847,598 | 2,713 |

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

The following noncompliance violations were also noted:

Ohio Rev. Code Section 117.38 - failure to file an annual report within 150 days of fiscal year end and to publish required sections in a local newspaper.

Ohio Rev. Code Section 5705.10 provides that money paid into any fund shall be used only for the purposes for which such fund was established. The District had several funds with negative cash balances indicating that monies from other funds were utilized to offset these deficiencies.

Ohio Rev. Code Section 5705.41 (D) provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. There were numerous instances in which the District honored contracts or orders for expenditures that were not properly encumbered.

The following noncompliance violations were noted applicable to the District's federal programs:

Title I and Title VI-B reporting requirements provide that final expenditure reports are due no later than 60 days after the end of the project period. In these instances, the project ended September 30, 1998 and final expenditure reports were not submitted to the Ohio Department of education until May 17, 1999 and May 25, 1999, respectively.

7 C.F.R. Part 3016 (1988) provides in part that non-federal entities are prohibited from contracting with making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services and all nonprocurement transactions (e.g. subawards to subrecipients). The District did not request nor receive documentation from contractors receiving awards for \$100,000 or more certifying that the organization and its principals are not suspended or debarred.

34 C.F.R. Section 300.230 (1999) provides that the District use Title VI-B Flow-Thru funds to supplement and/or increase the level of state and local funds expended for the education of children with disabilities and in no case supplant those state and local funds. Furthermore, 34 C.F.R. Section 300.182-184 (1999) provides in part that the District only use Title VI-B Flow Thru funds for excess costs of providing special education and related services for children with disabilities. The District was unable to provide documentation that supports these aforementioned requirements.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

4. Proceeds from and principal payment on tax and revenue anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Similar Trust Fund**

| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust |
|----------------------------|--------------------|----------------------|-----------------|----------------------|---------------------|
| GAAP Basis | \$434,229 | \$603,800 | \$536 | (\$8,184) | \$3,363 |
| Revenue Accruals | 1,035,420 | (1,395,905) | 0 | 0 | 0 |
| Note Proceeds | 21,700,000 | 0 | 0 | 0 | 0 |
| Revenue for Debt Repayment | (19,174,484) | 0 | 20,924,329 | (1,749,845) | 0 |
| Advances In | 311,261 | 41,589 | 0 | 2,500 | 0 |
| Expenditure Accruals | 259,305 | (47,179) | 0 | 53,770 | 54,737 |
| Debt Service: | | | | | |
| Principal | 0 | 0 | (18,464,333) | 0 | 0 |
| Interest | 2,071,363 | 0 | (2,459,996) | 388,633 | 0 |
| Advances Out | (239,297) | (316,053) | 0 | 0 | 0 |
| Encumbrances | (524,623) | (858,524) | 0 | (445,656) | (57,540) |
| Budget Basis | <u>\$5,873,174</u> | <u>(\$1,972,272)</u> | <u>\$536</u> | <u>(\$1,758,782)</u> | <u>\$560</u> |

**Net Income/Excess of Revenues
and Advances Over Expenses
Proprietary Fund Types**

| | Enterprise | Internal Service |
|------------------|-----------------|---------------------|
| GAAP Basis | \$99,877 | \$288,637 |
| Revenue Accruals | (25,260) | (516) |
| Advance In | 200,000 | 0 |
| Expense Accruals | (162,331) | 447,501 |
| Encumbrances | (61,437) | (6,870) |
| Budget Basis | <u>\$50,849</u> | <u>\$728,752</u> |

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 School District's Board of Education has identified as not required for use within the current two year period of designation of depositories.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

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 as savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 deposits maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to 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, the 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and,
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year-end, the School District had \$250 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Repurchase Agreements".

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Deposits At year-end, the carrying amount of the School District's deposits was (\$125,251) and the bank balance was \$1,356,630. \$100,000 of the bank balance was covered by federal depository insurance. \$1,256,630 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the School District's Name and all State 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.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAR Ohio, the State Treasurer's Investment Pool, and a Money Market Mutual Fund which are not classified by degree of credit risk since they are not evidenced by securities that exist in physical or book entry form.

| | Category 3 | Fair Value |
|---------------------------|---------------|---------------|
| Commercial Paper | \$3,136,126 | \$3,136,126 |
| Federal Agency Securities | 5,587,445 | 5,587,445 |
| Money Market Mutual Fund | 0 | 1,944,050 |
| STAR Ohio | 0 | 6,199,815 |
| Total Investments | \$8,723,571 | \$16,867,436 |

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|--|---------------------------------------|--------------|
| <i>GASB Statement No. 9</i> | \$16,742,435 | \$0 |
| Cash on Hand | (250) | |
| Investments which are part of a cash management pool: | | |
| Commercial Paper | (3,136,126) | 3,136,126 |
| Federal Agency Securities | (5,587,445) | 5,587,445 |
| Money Market Mutual Fund | (1,944,050) | 1,944,050 |
| STAR Ohio | (6,199,815) | 6,199,815 |
| <i>GASB Statement No. 3</i> | (\$125,251) | \$16,867,436 |

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property which is located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 1998 taxes were collected are:

| | 1997 Second- Half Collections | | 1998 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$400,062,600 | 68.41% | \$413,810,330 | 69.19% |
| Public Utility | 83,554,750 | 14.29 | 85,684,400 | 14.33 |
| Tangible Personal Property | 101,193,270 | 17.30 | 98,591,280 | 16.48 |
| Total Assessed Value | \$584,810,620 | 100.00% | \$598,086,010 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$46.60 | | \$46.60 | |

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 earlier or later payment dates to be established.

Tangible personal property taxes paid 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.

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, 1998, are available to finance fiscal year 1998 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1998. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. There was no amount available to the School District as an advance at June 30, 1998.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Note 8 - Receivables

Receivables at June 30, 1998, consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants. All 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 year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | Amounts |
|---|------------------------|
| <i>General Fund:</i> | |
| Tuition from Area Schools | \$6,920 |
| State of Ohio | 3,408 |
| Total General Fund | 10,328 |
| <i>Special Revenue Funds:</i> | |
| Chapter I | |
| Ohio Department of Education | 1,843,871 |
| Drug Free | |
| Ohio Department of Education | 48,924 |
| Title II | |
| Ohio Department of Education | 19,650 |
| Miscellaneous State Grants | |
| Able Grant | 23,688 |
| Jobs 2000 | 69,650 |
| Total Miscellaneous Grants | 93,338 |
| Title VI-B | |
| Ohio Department of Education | \$154,944 |
| Total Special Revenue Funds | 2,160,727 |
| <i>Enterprise Funds:</i> | |
| Food Service | |
| Mahoning County Board of Health | 187 |
| State School Lunch Program | 487,594 |
| Total Food Service | 487,781 |
| Adult Education | |
| Ohio Department of Education | 32,066 |
| Special Enterprise | |
| Mahoning County Auditor | 130 |
| Total Enterprise Funds | 519,977 |
| Total Intergovernmental Receivable - All Funds | \$2,691,032 |

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Note 9 - Risk Management

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 1998, the School District contracted with the Nationwide Insurance Company for property insurance with a \$1,000 deductible. Professional liability is protected by the Nationwide Insurance Company with a \$3,000,000 aggregate limit.

Vehicles are covered by the Nationwide Insurance Company and hold \$250 deductibles for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

\$50,000 performance bonds are maintained for the board president, superintendent, treasurer and business manager. A \$5,000 per position blanket bond is maintained for all other employees. All bonds are maintained by the Fidelity & Deposit Company of Maryland, and the blanket bond is maintained by the Grange Mutual Casualty Company.

For 1996 the School District participated in the State Workers' Compensation retrospective rating and payment system. This plan involves payment of a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for employees injured. The balance of claims payable at June 30, 1998, represents an estimate of the liability for unpaid claims costs provided by Workers' Compensation. The claims liability for the Workers' Compensation retrospective rating and payment system at June 30, 1998 was \$664,297.

The School District is self-insured for prescription drug, dental and vision insurance. National Prescription Administrators is the third party administrator for the prescription drug program. The School District pays into the insurance reserve internal service fund \$156.90 for single coverage and \$371.70 for family per month for prescription coverage. Anthem administers the dental plan for the School District. Monthly premiums for the dental plan are \$21.17 for single coverage and \$54.82 for Family coverage. Mutual Health Services is the third party administrator for vision insurance. The monthly premium for the vision plan is \$5.75 for single and family coverage.

The claims liability of \$1,172,894 reported in the internal service fund at June 30, 1998, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 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 year 1998 was:

| | Balance at Beginning of Year | Current Year Claims | Claims Payments | Balance at End of Year |
|------|------------------------------------|------------------------|--------------------|---------------------------|
| 1998 | \$1,484,243 | \$7,574,292 | \$7,221,344 | \$1,837,191 |

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Note 10 - Defined Benefit Pension Plan

A. School Employees Retirement System

Youngstown City 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the Youngstown City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; for fiscal year 1998, 9.79 percent of covered payroll was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$1,176,380, \$1,209,691, and \$1,171,069, respectively; 39.07 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$716,767 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

Youngstown City School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Youngstown City School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1998, 1997, and 1996, were \$3,606,443, \$3,864,050, and \$4,118,875, respectively; 84.44 percent has been contributed for fiscal year 1998 and 100 percent for the fiscal years 1997 and 1996. \$560,985 representing the unpaid contribution for fiscal year 1998, is recorded as a liability within the respective funds.

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, one of the Board of Education members has elected Social Security. The board's liability is 6.2 percent of wages paid.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Note 11 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to thirty five 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 230 days for certified employees and 220 days for classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation for certified employees. Classified employees receive payment for one-fourth of accumulated sick leave up to 180 days and one-eighth of accumulated sick leave between 180 and 220 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 District.

B. Insurance

The School District provides life insurance to its employees. Coverage is equal to the employees's salary (rounded to nearest thousand dollars). The maximum amount of coverage is \$25,000 for non-certified employees and \$50,000 for certified employees. Life insurance coverage is provided through the Ohio National Life Insurance Company.

Note 12 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 1998 were as follows:

| | Principal Outstanding 6/30/97 | Additions | Deductions | Principal Outstanding 6/30/98 |
|---------------------------------------|-------------------------------------|------------------|----------------------|-------------------------------------|
| <i>General Long-Term Obligations:</i> | | | | |
| General Obligation Bonds | \$1,660,000 | \$0 | (\$240,000) | \$1,420,000 |
| Asbestos Abatement Loan 0% | 30,348 | 0 | (5,000) | 25,348 |
| Asbestos Abatement Loan 0% | 277,580 | 0 | (34,698) | 242,882 |
| Asbestos Abatement Loan 0% | 51,476 | 0 | (5,724) | 45,752 |
| Installment Loans Payable | 416,849 | 0 | (142,842) | 274,007 |
| Claims Payable | 724,027 | 0 | (59,730) | 664,297 |
| Compensated Absences | 4,292,015 | 0 | (368,686) | 3,923,329 |
| Pension Obligation | 670,082 | 703,288 | (670,082) | 703,288 |
| <i>General Long-Term Obligations:</i> | <u>\$8,122,377</u> | <u>\$703,288</u> | <u>(\$1,526,762)</u> | <u>\$7,298,903</u> |

The general obligation bonds and interest-free asbestos loans will be paid from the debt service fund. The claims payable, compensated absences and pension obligation will be paid from the fund from which the person is paid. The installment loan will be paid from the general fund.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

The School District's overall debt margin was \$52,094,295 with an unvoted debt margin of (\$5,621,914) at June 30, 1998.

Principal and interest requirements to retire the general obligation bonds and asbestos removal loan follow:

| Fiscal year Ending June | General Obligation Bonds | | Asbestos Removal Loans | Installment Loan Payable | |
|-------------------------|-----------------------------|------------------|------------------------------|-----------------------------|-----------------|
| | Principal | Interest | Principal | Principal | Interest |
| 1999 | \$250,000 | \$86,620 | \$45,422 | \$132,842 | \$14,888 |
| 2000 | 265,000 | 71,370 | 45,422 | 141,165 | 6,566 |
| 2001 | 285,000 | 55,205 | 45,422 | 0 | 0 |
| 2002 | 300,000 | 37,820 | 45,422 | 0 | 0 |
| 2003 | 320,000 | 19,520 | 45,422 | 0 | 0 |
| 2004-2007 | 0 | 0 | 86,872 | 0 | 0 |
| Total | \$1,420,000 | \$270,535 | \$313,982 | \$274,007 | \$21,454 |

Note 13 - Short-Term Debt

The School District's note activity for the fiscal year ended June 30, 1998, is as follows:

| | Principal Outstanding 6/30/97 | Additions | Deductions | Principal Outstanding 6/30/98 |
|------------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| <i>General Fund:</i> | | | | |
| State Loan 1995, 6.40% | \$9,990,000 | \$0 | \$970,000 | \$9,020,000 |
| State Loan 1996, 5.40% | 4,977,500 | 0 | 4,977,500 | 0 |
| State Loan 1997, 7.77% | 12,951,000 | 0 | 6,726,833 | 6,224,167 |
| State Loan 1998, 4.75% | 0 | 17,200,000 | 0 | 17,200,000 |
| Spending Reserve 1998, 4.85% | 0 | 4,500,000 | 4,500,000 | 0 |
| Total General Fund | 27,918,500 | 21,700,000 | 17,174,333 | 32,444,167 |
| <i>Permanent Improvement</i> | | | | |
| <i>Capital Projects Fund:</i> | | | | |
| Energy Conservation Loans | 130,000 | 0 | 130,000 | 0 |
| Energy Conservation Loans | 4,745,000 | 0 | 465,000 | 4,280,000 |
| Energy Conservation Loans | 2,635,000 | 0 | 695,000 | 1,940,000 |
| Total Permanent Improvement | | | | |
| <i>Capital Projects Fund:</i> | 7,510,000 | 0 | 1,290,000 | 6,220,000 |
| Total Notes | \$35,428,500 | \$21,700,000 | \$18,464,333 | \$38,664,167 |

The spending reserve note was paid with an allocation of personal property tax revenue and the State operating loans will be paid from the general fund with school foundation revenue. The 1998 State operating loan was issued with a premium of \$241,758. A liability for the energy conservation tax anticipation loans is reflected in the permanent improvement capital projects fund which received the proceeds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Principal and interest payments to retire the State operating loan and energy conservation loans are as follows:

| Fiscal year Ending June 30, | State Operating Loans | | Energy Conservation Loans | |
|--------------------------------|-----------------------|--------------------|---------------------------|--------------------|
| | Principal | Interest | Principal | Interest |
| 1999 | \$15,469,167 | \$2,215,989 | \$1,230,000 | \$377,060 |
| 2000 | 10,120,000 | 1,025,523 | 1,310,000 | 297,440 |
| 2001 | 1,200,000 | 503,843 | 995,000 | 224,570 |
| 2002 | 1,280,000 | 415,643 | 605,000 | 172,550 |
| 2003 | 1,365,000 | 321,563 | 650,000 | 130,560 |
| 2004-2007 | 3,010,000 | 335,528 | 1,430,000 | 123,590 |
| <i>Total</i> | <u>\$32,444,167</u> | <u>\$4,818,089</u> | <u>\$6,220,000</u> | <u>\$1,325,770</u> |

Note 14 - Interfund Transactions

Interfund balances at June 30, 1998, consist of the following individual fund receivables and payables:

| Fund Type/Fund | Interfund Receivable | Interfund Payable |
|------------------------------------|-------------------------|----------------------|
| General Fund | \$427,785 | \$0 |
| Special Revenue Funds: | | |
| Education Mobility | 0 | 166 |
| Chapter One | 0 | 108,210 |
| Chapter Two | 0 | 14,170 |
| Drug Free | 0 | 65,942 |
| Miscellaneous Federal Grants | 0 | 39,297 |
| <i>Total Special Revenue Funds</i> | 0 | 227,785 |
| Adult Education Enterprise Fund | 0 | 200,000 |
| <i>Total All Funds</i> | <u>\$427,785</u> | <u>\$427,785</u> |

Due from other funds and due to other funds at June 30, 1998, consist of the following individual balances:

| Fund Type/Fund | Due From | Due To |
|-----------------------------|----------|---------|
| General Fund | \$4,680 | \$1,806 |
| Special Revenue Funds: | | |
| Chapter One | 0 | 1,070 |
| Impact Aid | 0 | 473 |
| Public School Support | 250 | 179 |
| Venture Capital | 0 | 133 |
| Vocational Education | 0 | 4,151 |
| Miscellaneous State Grant | 0 | 6,023 |
| Adult Basic Education | 3,548 | 0 |
| Miscellaneous Federal Grant | 0 | 666 |

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

| Fund Type/Fund | Due From | Due To |
|------------------------------------|-----------------|-----------------|
| <i>Total Special Revenue Funds</i> | 3,798 | 12,695 |
| Food Service Enterprise Fund | 6,023 | 0 |
| <i>Total All Funds</i> | <u>\$14,501</u> | <u>\$14,501</u> |

Note 15 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District this amount equaled \$1,202,148.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. 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 1998, the minimum pay has been established at \$12,400. 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97,429,197 and the target level was \$121.8 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$505,879 during the 1998 fiscal year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

Note 16 - Jointly Governed Organization

The Area Cooperative Computerized Educational Service System (ACCESS) is a jointly governed organization among twenty-three school districts. The jointly governed organization was formed to provide data service among member districts. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. In fiscal year 1998, the School District paid \$30,127 to ACCESS. *The degree of control exercised by any participating school district is limited to its representation on the assembly.* To obtain the financial information write to Area Cooperative Computerized Educational Service System, 2801 Market Street, Youngstown, Ohio 44507.

Note 17 - State School Funding Decision/Subsequent Event

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1998, the School District received \$34,874,179 of school foundation support for its general fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. During fiscal year 1998, the School District had borrowed \$17,200,000 under this program bringing the total loans outstanding under this program to \$32,444,167; the final payment of this note will be made in fiscal year 2007. The terms of the debt are further described in Note 13 to these financial statements.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1998, the School District borrowed \$4,500,000 under this program. This amount was repaid during the same fiscal year. Historically, the School District has relied on this borrowing to meet their cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The decision made by the Court of Common Pleas is likely to be appealed.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Note 18 - 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, 1998.

B. Litigation

The Youngstown City School District is currently 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 19 - Segment Information for Enterprise Funds

The School District maintains three enterprise funds to account for the operations of its food service operations, adult education and summer school. The following table reflects in a summarized format the more significant financial data relating to the enterprise funds of the Youngstown City School District as of and for the fiscal year ended June 30, 1998.

| | Food Service | Adult Education | Special Enterprise | Total Enterprise Funds |
|---------------------|--------------|--------------------|-----------------------|------------------------------|
| Operating Revenues | \$367,621 | \$651,942 | \$51,949 | \$ 1,071,512 |
| Operating Income | (3,435,537) | (142,128) | 51,333 | (3,526,332) |
| Donated Commodities | 290,623 | 0 | 0 | 290,623 |
| Operating Grants | 3,095,429 | 240,157 | 0 | 3,335,586 |
| Net Income (Loss) | (49,485) | 98,029 | 51,333 | 99,877 |
| Net Working Capital | 18,217 | 5,954 | 0 | 24,171 |
| Total Assets | 1,259,318 | 117,592 | 52,067 | 1,428,977 |
| Total Equity | 791,166 | (221,029) | 51,333 | 621,470 |
| Encumbrances | | | | |
| at June 30, 1998 | 53,708 | 7,729 | 0 | 61,437 |

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998**

Note 20 - Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

Youngstown City School District has inventoried computer systems and other equipment necessary to conducting School District operations. As of June 30, 1998, computers used in areas involved with School District operations which are not Year 2000 compatible have been identified and will be replaced.

Youngstown City School District has twenty-six school buildings with power, heating and air-conditioning systems (not all systems in all buildings), some of which have incorporated extensive efficiency utilization measures currently maintained by Honeywell. As of June 30, 1998, no determination had been made as to the Year 2000 compatibility of those energy management systems. Additionally, all buildings in the School District are monitored by Sonitrol, a contract security service. No determination has been made as to the Year 2000 compatibility of that system either.

The School District uses the State of Ohio Uniform Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

Property tax billing, collection and remittance for the School District is handled by Mahoning County. The County is responsible for remediating this system, and is solely responsible for any associated costs.

The School District utilizes third party administrator organizations to provide Medical and Dental Claims processing. In addition, its banking institution provides financial transactions for the School District. As of June 30, 1998, the School District has not obtained assurances from these organizations or institutions regarding remediation of these systems. These organizations or institutions are responsible for remediating these systems, and are solely responsible for the associated costs.

The Ohio Edison Company (OEC) provides the electricity to the School District. The School District has not obtained assurances from OEC regarding remediating this system. OEC is responsible for remediating this system, and is solely responsible for any associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 1998

| <u>FEDERAL GRANTOR/ SUB GRANTOR: PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS-THROUGH GRANTOR'S NUMBER</u> |
|---|---|--|
| <u>U.S. Department of Agriculture:</u> | | |
| Passed through the Ohio Department of Education: | | |
| Food Distribution | 10.550 | N/A |
| National School Breakfast Program | 10.553 | 05-PU |
| National School Lunch Program | 10.555 | 03, 04-PU |
| Child Care Food Program | 10.558 | 21-ML |
| Total U.S. Department of Agriculture - Nutrition Cluster | | |
| <u>U.S. Department of Labor:</u> | | |
| Employment and Training Assistance- Dislocated Workers: | | |
| Passed through Local Employment Associations | 17.246 | FY-97 |
| Total U.S. Department of Labor | | |
| <u>U.S. Department of Education</u> | | |
| Passed through Ohio Department of Education: | | |
| Adult Basic Education | 84.002 | 045161-AB-S1-96 045161-AB-S1-97 045161-AB-S1-98 |
| Total Adult Basic Education | | |
| Educationally Deprived Children Local Education Agencies (Title I, Part A IASA) | 84.010 | 045161-C1-S1-95 045161-C1-S1-96 045161-C1-S1-96C 045161-C1-SS-96C 045161-C1-S1-97 045161-C1-S1-97C 045161-C1-SD-97 045161-C1-S1-98 045161-C1-SD-98 |
| Total Title I | | |

| <u>FEDERAL CASH RECEIPTS</u> | <u>OTHER FEDERAL RECEIPTS</u> | <u>FEDERAL CASH DISBURSEMENTS</u> | <u>OTHER FEDERAL DISBURSEMENTS</u> |
|---|--|--|---|
| - | 294,644 | - | 292,576 |
| 647,360 | - | 647,360 | - |
| 2,217,591 | - | 2,217,591 | - |
| <u>5,150</u> | <u>-</u> | <u>5,150</u> | <u>-</u> |
| 2,870,101 | 294,644 | 2,870,101 | 292,576 |
| | | | |
| <u>38,164</u> | - | <u>38,164</u> | - |
| 38,164 | - | 38,164 | - |
| | | | |
| - | - | (71,826) | - |
| - | - | 77,999 | - |
| <u>226,990</u> | <u>-</u> | <u>194,233</u> | <u>-</u> |
| 226,990 | - | 200,406 | - |
| | | | |
| - | - | 230,392 | - |
| - | - | 61,378 | - |
| - | - | 1,009,370 | - |
| 75,000 | - | 75,000 | - |
| 1,091,458 | - | 1,578,752 | - |
| 423,054 | - | 812,070 | - |
| (77,116) | - | (77,116) | - |
| 5,534,392 | - | 5,363,889 | - |
| <u>119,898</u> | <u>-</u> | <u>70,838</u> | <u>-</u> |
| 7,166,686 | - | 9,124,573 | - |

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 1998

| <u>FEDERAL GRANTOR/ SUB GRANTOR: PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS-THROUGH GRANTOR'S NUMBER</u> |
|---|---|--|
| <u>U.S. Department of Education: (Cont'd)</u> | | |
| Passed through Ohio Department of Education: | | |
| Handicapped - State Grants (Part B, Education of the Handicapped Act) | 84.027 | 045161-6B-SF-95P 045161-6B-SF-96P 045161-6B-SF-97P |
| Total Title VI-B | | |
| EHA Preschool Grants for the Handicapped | 84.173 | 045161-PG-S1-95P 045161-PG-S1-96P 045161-PG-S1-97P |
| Total Preschool Grants | | |
| Total Special Education Cluster | | |
| Impact Aid - Maintenance and Operations | 84.041 | 1997 |
| Vocational Education - Basic Grants to States | 84.048 | 045161-20-A4-97 045161-20-C1-97 045161-20-C2-97 045161-20-A4-98 045161-20-C1-98 045161-20-C2-98 |
| Total Vocational Education | | |
| Federal Pell Grant Program | 84.063 | FY-94 FY-97 FY-98 |
| Total Pell Grant | | |
| Federal, State and Local Partnerships for Education Improvement (Title II and ESEA) | 84.151 | 045161-C2-S1 045161-C2-S1-95 |
| Total Title II | | |

| <u>FEDERAL CASH RECEIPTS</u> | <u>OTHER FEDERAL RECEIPTS</u> | <u>FEDERAL CASH DISBURSEMENTS</u> | <u>OTHER FEDERAL DISBURSEMENTS</u> |
|--------------------------------------|---------------------------------------|---|--|
| - | - | 39,253 | - |
| 60,476 | - | 218,422 | - |
| <u>619,776</u> | <u>-</u> | <u>545,135</u> | <u>-</u> |
| 680,252 | - | 802,810 | - |
| - | - | 71,381 | - |
| 3,413 | - | 56,381 | - |
| <u>83,316</u> | <u>-</u> | <u>58,257</u> | <u>-</u> |
| 86,729 | - | 186,019 | - |
| 766,981 | - | 988,829 | - |
| 12,683 | - | 31,137 | - |
| - | - | (3,932) | - |
| 77,258 | - | 102,700 | - |
| 5,981 | - | (2,617) | - |
| 10,200 | - | - | - |
| 446,690 | - | 367,318 | - |
| <u>29,998</u> | <u>-</u> | <u>31,835</u> | <u>-</u> |
| 570,127 | - | 495,304 | - |
| - | - | 1,715 | - |
| 1,377 | - | 1,366 | - |
| <u>178,617</u> | <u>-</u> | <u>178,214</u> | <u>-</u> |
| 179,994 | - | 181,295 | - |
| - | - | 45,406 | - |
| <u>28,277</u> | <u>-</u> | <u>287</u> | <u>-</u> |
| 28,277 | - | 45,693 | - |

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 1998

| <u>FEDERAL GRANTOR/ SUB GRANTOR: PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS-THROUGH GRANTOR'S NUMBER</u> |
|---|---|--|
| <u>U.S. Department of Education: (Cont'd)</u> Passed through Ohio Department of Education: | | |
| Drug Free Schools - State Grants | 84.186 | 045161-DR-S1-91 045161-DR-S1-94 045161-DR-S1-95 045161-DR-S1-96 045161-DR-S1-97 045161-DR-S1-98 |
| Total Drug Free Schools | | |
| Education for Homeless Children and Youth-Grants for State and Activities | 84.196 | 045161-HC-S1-97 045161-HC-S1-98 |
| Total Homeless Care Subsidy | | |
| Javits Gifted and Talented Students Education Grant Program | 84.206 | 045161-JG-S1-97P 045161-JG-S1-95 |
| Total Javits Gifted and Talented | | |
| Private Schools Capital Expenses | 84.216 | 045161-CX-S1-96 045161-CX-S1-97 |
| Total Capital Expenses | | |
| Federal on TASC | 84.233 | N/A |
| Goals 2000 - Subsidy Grant | 84.276 | 045161-G2-S1-96 045161-G2-S1-97 045161-G2-S4-98 |
| Total Goals 2000 | | |

**FEDERAL
CASH
RECEIPTS**

**OTHER
FEDERAL
RECEIPTS**

**FEDERAL
CASH
DISBURSEMENTS**

**OTHER
FEDERAL
DISBURSEMENTS**

| | | | |
|----------------|----------|---------------|----------|
| - | - | 18,610 | - |
| - | - | 701 | - |
| - | - | 2,500 | - |
| 10,000 | - | 14,020 | - |
| - | - | 79,233 | - |
| <u>53,905</u> | <u>-</u> | <u>95,261</u> | <u>-</u> |
| 63,905 | - | 210,325 | - |
| - | - | 51,012 | - |
| <u>100,200</u> | <u>-</u> | <u>63,443</u> | <u>-</u> |
| 100,200 | - | 114,455 | - |
| 12,500 | - | 12,263 | - |
| <u>-</u> | <u>-</u> | <u>16</u> | <u>-</u> |
| 12,500 | - | 12,279 | - |
| 5,634 | - | 29,605 | - |
| <u>62,000</u> | <u>-</u> | <u>55,404</u> | <u>-</u> |
| 67,634 | - | 85,009 | - |
| - | - | 699 | - |
| - | - | 69,791 | - |
| 3,000 | - | - | - |
| <u>-</u> | <u>-</u> | <u>44,711</u> | <u>-</u> |
| 3,000 | - | 114,502 | - |

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 1998

| FEDERAL GRANTOR/ SUB GRANTOR: PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS-THROUGH GRANTOR'S NUMBER |
|--|------------------------------------|--|
| <u>U.S. Department of Education: (Cont'd)</u> | | |
| Passed through Ohio Department of Education: | | |
| Eisenhower Professional Development State Grant | 84.281 | 045161-MS-S1-93 045161-MS-S1-96 045161-MS-S1-97 045161-MS-S1-97C 045161-MS-S1-98 |
| Total Eisenhower Grant | | |
| Innovative Education Program Strategies Grant | 84.298 | 045161-C2-S1-96 045161-C2-S1-97 045161-C2-S1-98 |
| Total Innovative Education Program | | |
| Total Department of Education | | |
| <u>U.S. Department of Health and Human Services:</u> | | |
| Passed Through the Ohio Department of Education: | | |
| School Age Child Care | 93.037 | N/A |
| Job Opportunities and Basic Skills Training | 93.561 | 045161-JB-S1-96 045161-JB-S1-97 045161-JB-S1-98 045161-JB-B2-97 045161-JO-B2-98 045161-JB-S1-95 |
| Total JOBS | | |
| Total U.S. Department of Health and Human Services | | |
| Total Federal Financial Assistance | | |

**FEDERAL
CASH
RECEIPTS**

**OTHER
FEDERAL
RECEIPTS**

**FEDERAL
CASH
DISBURSEMENTS**

**OTHER
FEDERAL
DISBURSEMENTS**

| | | | |
|-------------------|----------------|-------------------|----------------|
| - | - | 6,927 | - |
| - | - | 51,761 | - |
| 1,000 | - | 1,000 | - |
| 15,591 | - | 64,851 | - |
| <u>38,624</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 55,215 | - | 124,539 | - |
| - | - | 410 | - |
| 47,231 | - | 15,135 | - |
| <u>53,431</u> | <u>-</u> | <u>87,733</u> | <u>-</u> |
| 100,662 | - | 103,278 | - |
| 12,224,955 | 294,644 | 11,832,322 | 292,576 |
| 145,800 | - | 49,605 | - |
| 2,338 | - | (37,817) | - |
| 16,354 | - | 15,996 | - |
| 14,997 | - | - | - |
| 9,910 | - | 9,910 | - |
| 1,624 | - | 1,624 | - |
| <u>-</u> | <u>-</u> | <u>37,817</u> | <u>-</u> |
| 45,223 | - | 27,530 | - |
| <u>191,023</u> | <u>-</u> | <u>77,135</u> | <u>-</u> |
| <u>12,454,142</u> | <u>294,644</u> | <u>14,817,723</u> | <u>292,576</u> |

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. *Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.* At June 30, 1998, the District had no significant food commodities in inventory.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 general-purpose financial statements of the Youngstown City School District, Mahoning County, (the District) as of and for the year ended June 30, 1998, and have issued our report thereon dated December 21, 1999, which was qualified due to the omission of amounts representing property, buildings and equipment and related depreciation, which should be included in order to conform with generally accepted accounting principles. Our report also noted the District made certain changes in accounting policies and financial reporting practices effective July 1, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Youngstown City School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-11150-002 through 1998-11150-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Youngstown City School District in a separate letter dated December 21, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Youngstown City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1998-11150-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we also consider item 1997-11150-001 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 21, 1999.

This report is intended for the information and use of the fiscal oversight commission, management, Board of Education, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

December 21, 1999



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND 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 are applicable to each of its major federal programs for the year ended June 30, 1998. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Youngstown City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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.

We were unable to obtain sufficient documentation to support certain calculations made by the District. These calculations are designed to demonstrate whether the District complied with the requirements of the major program Title VI-B governing Level of Effort. We were unable to satisfy ourselves as to the District's compliance with those requirements of Title VI-B by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the District's compliance with the requirements of the major program Title VI-B governing Level of Effort, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as items 1998-11150-005 and 1998-11150-006.

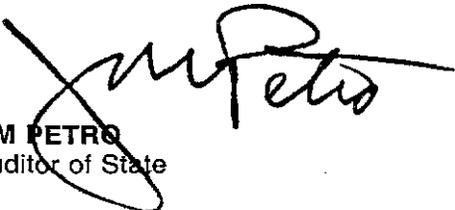
Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings as item 1998-11150-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended for the information and use of the fiscal oversight commission, management, Board of Education, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

December 21, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 1998**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Qualified - Omission of General Fixed Account Group and Proprietary Fund Type Fixed Assets |
| <i>(d)(1)(ii)</i> | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | YES |
| <i>(d)(1)(ii)</i> | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | NO |
| <i>(d)(1)(iii)</i> | Was there any reported material non-compliance at the financial statement level (GAGAS)? | YES |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness conditions reported for major federal programs? | YES |
| <i>(d)(1)(iv)</i> | Were there any other reportable internal control weakness conditions reported for major federal programs? | NO |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Qualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | YES |
| <i>(d)(1)(vii)</i> | Major Programs (list): | -Nutrition Cluster: #10.550 Food Distribution #10.555 National Lunch Program #10.553 National Breakfast Program - #84.010 Title I - #84.027 Title VI-B - #84.048 Vocational Education |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 453,309 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | NO |

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 1998**

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

| | |
|-----------------------|-----------------------|
| Finding Number | 1998-11150-001 |
|-----------------------|-----------------------|

Fixed Assets

The District has not maintained documentation to support the valuation of fixed assets that should have been recorded in the General Fixed Asset Account Group and the Proprietary Fund Types. Also, the District has not determined the estimated historical or actual cost of its land and buildings. Accordingly, the District's financial statements omit the General Fixed Asset Account Group and the Proprietary Fund fixed assets. Generally Accepted Accounting Principles require the presentation of the General Fixed Asset Account Group and the Proprietary Fund fixed assets.

The District does have an approved, written policy (Resolution 54-92) to govern the accounting of its property, plant, and equipment. This resolution does provide for a consistent approach needed by management to exercise proper control over the acquisition, disposal, and maintenance of the District's property, plant, and equipment. However, the District has not consistently adhered to the policy.

We recommend that the District determine the estimated costs of their fixed assets and adhere to the procedures and guidelines as established by Resolution 54-92.

| | |
|-----------------------|-----------------------|
| Finding Number | 1998-11150-002 |
|-----------------------|-----------------------|

Ohio Revised Code Section 117.38 calls for GAAP basis entities to file an annual report within 150 days of fiscal year end (November 30, 1998), and to publish required sections in a local newspaper. The District, which did not request an extension, did not file the required report until March 25, 1999 and did not have it published in the local newspaper.

| | |
|-----------------------|-----------------------|
| Finding Number | 1998-11150-003 |
|-----------------------|-----------------------|

Ohio Revised Code Section 5705.10 provides that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance. As of June 30, 1998 the Title I Fund had a negative cash balance of \$108,210; the Title VI Fund had a negative cash balance of \$14,170; and the Safe and Drug Free Fund had a negative cash balance of \$65,942.

These negative balances are due to Federal fund expenditures not being reimbursed by year end. The District should have advanced money from the General Fund to the respective funds with negative balances to offset the deficit.

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 1998

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

| | |
|-----------------------|-----------------------|
| Finding Number | 1998-11150-004 |
|-----------------------|-----------------------|

Ohio Rev. Code Section 5705.41 (D) provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amounts required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Furthermore, contracts and orders for expenditure lacking prior certification should be null and void.

This section also provides two "exceptions" to the above requirements:

- i. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate if such expenditure is otherwise valid.
- ii. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

Purchase orders were used which contained the required certification language. However, for 100% of the transactions tested the purchase orders did not reflect the signature of the Treasurer which validates the Certificate. The required certification was not otherwise attached to these transactions.

Furthermore, the invoice obligation date preceded the purchase order date in several expenditures tested to determine compliance with this provision. As noted above, these transactions did not bear the Clerk's certification and should have been certified at the time of obligation or after obligation using one of the exceptions provided.

Incurring obligations prior to the fiscal officer's certification of the availability of funds for such obligations, could result in the District expending more than was appropriated.

We recommend that the Board create a control policy and procedures to ensure that purchases are certified and properly encumbered by the Treasurer prior to incurring the obligation or entering into a contract involving the expenditure of the District's money as per the requirements set forth in Ohio Revised Code Section 5705.41 (D).

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 1998

3. FINDINGS FOR FEDERAL AWARDS

1. Final Expenditure Reports

| | |
|------------------------------------|---|
| Finding Number | 1998-11150-005 |
| CFDA Title and Number | Title I - CFDA # 84.010 Title VI-B - CFDA # 84.027 |
| Federal Award Number / Year | 045161-C1-S1-98 - FY1998 -- 045161-6B-SF-98 - FY1998 |
| Federal Agency | US Department of Education |
| Pass-Through Agency | Ohio Department of Education |

The District's 1998 Title I and Title VI-B reporting requirements provide in part, that the final expenditure report is due no later than 60 days after the end of the project period. These projects ended September 30, 1998; however, their final expenditure reports were not submitted to the Ohio Department of Education until May 17, 1999 and May 25, 1999 respectively. Failure to submit reports in a timely manner may result in a temporary suspension of the flow of federal funds for this grant until the project is closed.

The District should prepare and submit their final expenditure report for each project immediately after all financial obligations have been liquidated but in no case should the report be submitted later than 60 days after the end of the project period.

2. Certification of Contractors

| | |
|------------------------------------|---|
| Finding Number | 1998-11150-006 |
| CFDA Title and Number | Nutrition Cluster - CFDA # 10.553, 555, 558 |
| Federal Award Number / Year | 03-PU, 04-PU, 05-PU, FY1998 |
| Federal Agency | US Department of Agriculture |
| Pass-Through Agency | Ohio Department of Education |

7 C.F.R. Part 3016 (1988); provides in part that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all nonprocurement transactions (e.g., subawards to subrecipients).

Contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred. The non-Federal entities may rely upon the certification unless it knows that the certification is erroneous. Non-Federal entities may, but are not required to, check for suspended and debarred parties which are listed in the *List of Parties Excluded From Federal Procurement or Nonprocurement Programs*, issued by the General Services Administration (GSA).

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 1998**

3. FINDINGS FOR FEDERAL AWARDS - Continued

2. Certification of Contractors

The District did not request nor receive documentation from contractors receiving awards for \$100,000 or more certifying that the organization and its principals are not suspended or debarred in two of the three Nutrition Cluster program contracts tested to determine compliance with this provision.

Failure to adhere to these restrictions may result in disallowance of costs, annulment or termination of award, issuance of a stop work order, debarment or suspension, or other remedies as appropriate.

We recommend the District obtain certification from contractors receiving individual awards for \$100,00 or more and all subrecipients that the organization and its principals are not suspended or debarred.

3. Level of Effort

| | |
|------------------------------------|-------------------------------------|
| Finding Number | 1998-11150-007 |
| CFDA Title and Number | Title VI-B - CFDA # 84.027 |
| Federal Award Number / Year | 045161-6B-SF-98 - FY1998 |
| Federal Agency | US Department of Education |
| Pass-Through Agency | Ohio Department of Education |

34 C.F.R. Section 300.230 (1998); provides in part that the District will use Title VI-B Flow-Thru Funds to supplement and, to the extent practicable, to increase the level of state and local funds expended for the education of children with disabilities and in no case supplant those state and local funds. Furthermore, 34 C.F.R. Section 300.182-184 (1998); provides in part that the District may only use Title VI-B Flow-Thru Funds for the excess costs of providing special education and related services for children with disabilities.

The District could not provide documentation to support the calculations for excess costs of providing special education and related services for children with disabilities, nor could support documentation be provided for calculations designed to demonstrate compliance with the provisions of supplement vs. supplant. The amounts used to calculate these Level of Effort requirements contained incorrect data as a result of incorrect coding, classifications and/or posting of "handicapped costs."

Failure to ensure that these calculations are based on appropriate financial activity could result in the District relying on inaccurate information when monitoring compliance with these provisions of the grant which may jeopardize future funding of Title VI-B Flow-Thru Funds.

The District should take appropriate measures to ensure that their accounting system is capable of separately accounting for data used to support level of effort amounts or limits or calculations, and to ensure that expenditures or expenses, refunds, and cash receipts or revenue are properly classified and recorded only once as to their effects on level of effort.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 1998**

SCHEDULE OF PRIOR AUDIT FINDINGS

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; |
|-----------------------|--|------------------------|---|
| 1997-11150-001 | The District keeps no documentation from medical insurance companies stating how much the District has paid for claims. The District does not reconcile the amount of money wired to the amount listed on these summaries. | No | Partially Corrected; The District does have documentation for amounts paid, but does not reconcile the amount of money wired to the amount listed on these summaries. |
| 1997-11150-002 | The District's investment policy does not contain sufficient information to be effective. | Yes | The District has corrected this situation. |
| 1997-11150-003 | There were instances of expenditures, primarily for part of the health insurance premiums and administrative fees, and SERS surcharges, that did not flow through the normal day to day accounting system. | Yes | The District has corrected this situation. |
| 1997-11150-004 | Y2K testing and validation of mission critical systems has not been performed. | Yes | Partially corrected; The District has reviewed this area and have taken steps to implement changes. |
| 1997-11150-005 | Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. | No | Not Corrected, citation is repeated. |
| 1997-11150-006 | Ohio Rev. Code Section 5705.41 (D) requires the encumbrance method of accounting. | No | Not Corrected, citation is repeated. |
| 1997-11150-007 | Ohio Admin. Code Section 117-2-01 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. | Yes | Partially Corrected; The General Fixed Asset Account Group has been omitted. |

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 1998**

SCHEDULE OF PRIOR AUDIT FINDINGS - Continued

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; |
|-----------------------|--|------------------------|--|
| 1997-11150-008 | The District had overcompensation of payroll to various employees and has no written policy in place requiring new rate calculations for payroll to be reviewed by management. | No | Partially corrected; steps are in the process to completely correct this situation. |



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OFFICE OF THE AUDITOR

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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.

By: Susan Babbitt
Clerk of the Bureau

Date: FEB 01 2000