



Mary Taylor, CPA
Auditor of State

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

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YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Youngstown City School District, Mahoning County, Ohio (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Youngstown City School District, Mahoning County, Ohio as of June 30, 2008 and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Food Service Fund and Poverty Based Assistance Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 1 to the financial statements, the District has suffered recurring losses from operations and has a net asset deficiency that raise substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Revised Code. Note 1 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Robert R. Hinkle, CPA
Chief Deputy Auditor

December 1, 2009

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of Youngstown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the 2008 fiscal year are as follows:

- In total, net assets of governmental activities decreased by \$13,298,003 which represents a decrease of 9.03 percent from fiscal year 2007. Deficit unrestricted net assets increased by approximately \$4.8 million to \$32.6 million. The deficit in the general fund increased to \$23.5 million.
- General revenues accounted for \$97,210,455 in revenues or 72.96 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$36,034,245 or 27.04 percent of total revenues.
- The School District had \$146,542,703 in expenses related to governmental activities; only \$36,034,245 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements) in the amount of \$97,210,455 helped to provide support for these programs.
- The School District's major governmental funds are the general fund, the food service fund, the poverty based assistance fund, the bond retirement fund and the classroom facilities fund.
- The School District's governmental fund balance decreased from \$42,841,650 in fiscal year 2007 to \$31,372,161 in fiscal year 2008, primarily due to the deficit in the general fund increasing, and a declining balance in the classroom facilities fund as projects are completed and paid.

Using this Annual Financial Report

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

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

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund, food service fund, poverty based assistance fund, bond retirement fund and classroom facilities fund.

Governmental Funds

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

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Proprietary Funds

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

Fiduciary Funds

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

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2008 compared to 2007:

Table 1
 Net Assets
 Governmental Activities

	2008	2007	Change
Assets			
Current and Other Assets	\$99,249,629	\$131,653,896	(\$32,404,267)
Capital Assets, Net	140,606,720	122,550,150	18,056,570
Total Assets	239,856,349	254,204,046	(14,347,697)
Liabilities			
Current Liabilities	54,365,267	52,775,852	1,589,415
Long-Term Liabilities			
Due Within One Year	2,901,728	2,844,035	57,693
Due in More Than One Year	48,605,594	51,302,396	(2,696,802)
Total Liabilities	105,872,589	106,922,283	(1,049,694)
Net Assets			
Invested in Capital Assets, Net of Related Debt	135,797,702	117,623,138	18,174,564
Restricted for:			
Capital Projects	19,260,908	47,434,732	(28,173,824)
Debt Service	4,928,990	5,027,146	(98,156)
Other Purposes	6,595,108	4,995,430	1,599,678
Unrestricted (Deficit)	(32,598,948)	(27,798,683)	(4,800,265)
Total Net Assets	\$133,983,760	\$147,281,763	(\$13,298,003)

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Total assets decreased \$14,347,697. Net capital assets increased by \$18,056,570. This increase was largely offset by a \$10.5 million decrease in cash and cash equivalents and a \$1.7 million decrease in property taxes receivable.

Total liabilities decreased \$1,049,694 mainly due to decreases in intergovernmental payables, deferred revenue and long term liabilities. The decrease was partially offset by increases in claims payable and the state assistance advance payable.

Table 2 shows the changes in net assets from fiscal year 2008 to 2007.

Table 2
 Change in Net Assets
 Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services	\$2,182,659	\$2,058,573	\$124,086
Operating Grants and Contributions	33,777,787	31,256,877	2,520,910
Capital Grants and Contributions	73,799	249,112	(175,313)
<i>Total Program Revenues</i>	<u>36,034,245</u>	<u>33,564,562</u>	<u>2,469,683</u>
General Revenues			
Property Taxes	21,649,410	22,018,813	(369,403)
Grants and Entitlements	71,807,267	74,812,703	(3,005,436)
Investment Earnings	3,401,739	4,293,930	(892,191)
Gain on Sale of Capital Assets	36,577	6,623	29,954
Miscellaneous	315,462	123,570	191,892
<i>Total General Revenues</i>	<u>97,210,455</u>	<u>101,255,639</u>	<u>(4,045,184)</u>
<i>Total Revenues</i>	<u>\$133,244,700</u>	<u>\$134,820,201</u>	<u>(\$1,575,501)</u>

(continued)

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2
Change in Net Assets
Governmental Activities

	2008	2007	Change
Program Expenses			
Instruction:			
Regular	\$64,787,013	\$61,737,048	\$3,049,965
Special	15,339,489	15,054,512	284,977
Vocational	3,601,535	3,822,600	(221,065)
Adult/Continuing	311,475	364,073	(52,598)
Support Services:			
Pupil	8,333,543	8,314,375	19,168
Instructional Staff	10,500,838	11,064,953	(564,115)
Board of Education	452,766	458,479	(5,713)
Administration	9,098,691	8,963,519	135,172
Fiscal	1,447,253	1,948,560	(501,307)
Business	1,003,668	1,104,789	(101,121)
Operation and Maintenance of Plant	14,579,091	15,146,953	(567,862)
Pupil Transportation	6,529,085	6,125,293	403,792
Central	1,130,972	1,130,365	607
Operation of Non-Instructional Services	2,352,412	1,962,605	389,807
Food Service Operation	3,781,652	3,786,606	(4,954)
Extracurricular Activities	1,926,796	953,173	973,623
Interest and Fiscal Charges	1,366,424	1,422,583	(56,159)
<i>Total Program Expenses</i>	<u>146,542,703</u>	<u>143,360,486</u>	<u>3,182,217</u>
<i>Decrease in Net Assets</i>	(13,298,003)	(8,540,285)	(4,757,718)
Net Assets Beginning of Year	<u>147,281,763</u>	<u>155,822,048</u>	<u>(8,540,285)</u>
Net Assets End of Year	<u>\$133,983,760</u>	<u>\$147,281,763</u>	<u>(\$13,298,003)</u>

Governmental Activities

Net assets of the School District's governmental activities decreased \$13,298,003 in fiscal year 2008. Program revenues of \$36,034,245 and general revenues of \$97,210,455 fell short of total governmental expenses of \$146,542,703. Program revenues supported 24.59 percent of the total governmental expenses, an increase of 1.18 percent from fiscal year 2007 and expenses increased by 2.22 percent from fiscal year 2007 due to an increase in severance payments. General revenues decreased from fiscal year 2007 to fiscal year 2008 by \$4,045,184 or 4.0 percent resulting from a decrease in unrestricted grant money and interest revenue. Total revenues decreased by \$1,575,501 or 1.17 percent.

Youngstown City School District
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During fiscal year 2008 the primary sources of revenue for governmental activities were derived from property taxes and grants and entitlements. Real estate property is revalued every six years. The Board of Education's policy to disallow 100 percent abatements has resulted in minor growth in real estate valuation. House Bill 920, enacted in 1976, does not allow real property tax revenue to increase because of inflationary growth in the value of real property. Increases in valuation of carry-over property prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. New construction in the School District is not subject to the reduction factors of HB920. These increases, though, are usually offset by decreases in valuation caused by the economic condition of the area. These conditions have resulted in business closings, property abandonment, demolitions, and valuation appeals from existing property owners seeking to reduce their taxes usually by claiming market value decreases resulting from area economic forces.

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

Property Growth/Last Ten Years		
Calendar Year	Total Valuation	Growth Rate
2008	\$638,379,642	-4.14%
2007	665,968,624	2.70%
2006	648,611,187	-1.04%
2005	655,454,960	-2.19%
2004	670,122,208	3.50%
2003	647,474,020	-0.10%
2002	648,128,280	-1.12%
2001	655,454,960	0.61%
2000	651,482,280	8.01%
1999	603,143,410	1.22%

The average rate of growth over the last 10 years is +0.75 percent.

Because of the low per pupil valuation, the School District is highly dependent on State funding to maintain financial stability. In recent years, support from the State in terms of foundation increases, weighted funding for special education students and career-tech students, equity aid, parity aid and other new State funding mechanisms have helped to improve the financial condition of the School District.

Program revenues covered 24.59 percent of program expenses overall. The remaining 75.41 percent is supported through tax revenues and other general revenues and fund balances. In fiscal year 2008 revenues totaled 90.93 percent of expenses resulting in a \$13,298,003 decrease in net assets.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions offsetting those services. The following table shows the total cost of services and the net cost of services. The table identifies the cost of services supported by tax revenue and unrestricted State grants and entitlements.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Expenses				
Instruction:				
Regular	\$64,787,013	(\$53,283,816)	\$61,737,048	(\$51,737,099)
Special	15,339,489	(12,502,326)	15,054,512	(11,759,958)
Vocational	3,601,535	(2,575,809)	3,822,600	(2,851,917)
Adult/Continuing	311,475	8,460	364,073	8,667
Support Services:				
Pupil	8,333,543	(4,834,978)	8,314,375	(4,820,391)
Instructional Staff	10,500,838	(5,807,555)	11,064,953	(5,337,547)
Board of Education	452,766	(448,000)	458,479	(454,750)
Administration	9,098,691	(7,165,535)	8,963,519	(7,173,152)
Fiscal	1,447,253	(975,767)	1,948,560	(1,558,901)
Business	1,003,668	(995,534)	1,104,789	(1,096,600)
Operation and Maintenance of Plant	14,579,091	(12,241,070)	15,146,953	(13,955,167)
Pupil Transportation	6,529,085	(5,250,589)	6,125,293	(5,020,081)
Central	1,130,972	(961,978)	1,130,365	(1,031,419)
Operation of Non-Instructional Services	2,352,412	(546,346)	1,962,605	(161,922)
Food Service Operation	3,781,652	247,108	3,786,606	(631,100)
Extracurricular Activities	1,926,796	(1,808,299)	953,173	(792,004)
Interest and Fiscal Charges	1,366,424	(1,366,424)	1,422,583	(1,422,583)
<i>Total</i>	<u>\$146,542,703</u>	<u>(\$110,508,458)</u>	<u>\$143,360,486</u>	<u>(\$109,795,924)</u>

The School District's reliance on grants and entitlements not restricted to specific programs and on property tax revenues is crucial. These two revenue sources represent 70.14 percent of total governmental revenue. Investment interest and other miscellaneous type revenues support the remaining activity costs.

The School District's Funds

The School District's governmental funds (as presented on the balance sheet on pages 16 and 17) reported a combined fund balance of \$31,372,161, approximately \$11.5 million less than fiscal year 2007's ending balance of \$42,841,650.

General fund revenue decreased by \$3.3 million from fiscal year 2007 largely due to a decrease in intergovernmental revenue and expenditures decreased by a \$10.4 million due to staff reductions. In total general fund revenues decreased by 3.39 percent and expenditures decreased by 9.85 percent.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

General Fund Revenues and Expenditures
(Modified Accrual)

	2008	2007	Change
Revenues			
Property Taxes	\$19,464,034	\$20,051,258	(\$587,224)
Intergovernmental	70,850,386	73,441,998	(2,591,612)
Interest	1,518,738	1,940,265	(421,527)
Other Revenues	1,213,608	877,212	336,396
<i>Total</i>	<u>\$93,046,766</u>	<u>\$96,310,733</u>	<u>(\$3,263,967)</u>
Expenditures			
Instruction	\$60,703,430	\$65,133,913	(\$4,430,483)
Support Services	33,648,624	39,596,696	(5,948,072)
Operation of Non-Instructional Services	69,999	47,787	22,212
Extracurricular Activities	459,041	522,106	(63,065)
Capital Outlay	203,492	185,814	17,678
Debt Service	146,307	146,307	0
<i>Total</i>	<u>\$95,230,893</u>	<u>\$105,632,623</u>	<u>(\$10,401,730)</u>

Other major funds of the School District include the food service fund, the poverty based assistance fund, the bond retirement fund and the classroom facilities fund. The classroom facilities fund balance decreased \$9,331,387 after the completion of one new high school and the remodeling of another high school during fiscal year 2008. The food service fund balance increased by \$510,696 due to increased revenues in fiscal year 2008. The poverty based assistance fund had a negative balance of \$1,150,207 at fiscal year end as a result of revenues not meeting expenditures. The School District continues to seek grant monies to provide services to our students as evidenced by the \$1,031,474 increase in fund balance in nonmajor funds.

General Fund Budgeting Highlights

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

In fiscal year 2008, the School District adopted its appropriations prior to October 1, 2007 and amended those appropriations on June 30, 2008. For the general fund, final budgeted revenues were \$93,471,065, an increase of \$7,269,409 from the original budget due primarily to an increase of property taxes and intergovernmental revenue. General fund original appropriations of \$97,951,655 were increased to \$105,755,499 in the final appropriation measure in anticipation of expenditures related to the retirement and resignation incentives being offered by the School District prior to the end of the fiscal year.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$140,606,720 invested in land, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress. The following table shows fiscal 2008 balances compared to 2007.

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

	2008	2007
Land	\$1,002,781	\$1,002,781
Construction in Progress	21,213,525	59,817,060
Buildings and Improvements	114,453,265	57,176,094
Furniture and Equipment	2,734,850	3,586,246
Vehicles	470,910	551,973
Textbooks	731,389	415,996
<i>Total Capital Assets</i>	\$140,606,720	\$122,550,150

Capital Assets (net of depreciation) increased \$18,056,570 overall. The School District is still in the process of demolishing or remodeling old schools as well as building and opening new schools which represents the decrease in construction in progress and the increase in buildings and improvements. The School District's threshold for capitalization is \$1,000. For additional information on capital assets see Note 9 to the basic financial statements.

Debt

As of June 30, 2008 the School District had \$51,507,322 in outstanding long-term obligations. Table 5 below summarizes the School District's long-term obligations.

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

	2008	2007
Compensated Absences	\$11,841,671	\$12,486,269
Early Retirement Incentive	1,345,000	2,060,000
Claims	192,376	215,873
Capital Leases	5,204,871	5,342,017
Classroom Facilities Bonds	32,923,404	34,042,272
Total	\$51,507,322	\$54,146,431

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Overall long-term obligations decreased by \$2,639,109. The decrease in liabilities is mainly due to principal payments made on general obligation bonds. The general obligation bonds of \$32,923,404 represent Classroom Facilities and School Improvement bonds issued March 2, 2005. These interest bearing bonds, issued at a premium will mature December 1, 2027. At June 30, 2008 the School District's overall legal debt margin was \$24,615,057 with unvoted debt margin of \$567,258. For additional information on long-term obligations see Note 17 to the basic financial statements.

Challenges and Opportunities

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

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

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

Youngstown City School District has committed itself to financial reporting excellence for many years. The School District has received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting since fiscal year 2000. The School District did not participate in this program for fiscal years 2006, 2007 and 2008. The School District chose not to prepare a Comprehensive Annual Financial Report as a cost saving measure.

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

Contacting the School District's Financial Management Personnel

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact William Johnson, Treasurer, Youngstown City School District, 20 W. Wood St., PO Box 550, Youngstown, OH 44501, 330-744-6996.

Basic Financial Statements

Youngstown City School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$64,555,524
Cash and Cash Equivalents With Fiscal Agents	789,158
Accounts Receivable	22,185
Intergovernmental Receivable	12,267,280
Prepaid Items	128,428
Inventory Held for Resale	43,694
Materials and Supplies Inventory	452,825
Property Taxes Receivable	20,594,682
Deferred Charges	395,853
Nondepreciable Capital Assets	22,216,306
Depreciable Capital Assets, net	<u>118,390,414</u>
<i>Total Assets</i>	<u>239,856,349</u>
Liabilities	
Accounts Payable	1,239,167
Accrued Wages and Benefits	7,792,655
Contracts Payable	2,586,995
Intergovernmental Payable	2,867,774
Matured Compensated Absences Payable	80,806
Deferred Revenue	18,923,517
Accrued Interest Payable	112,453
Claims Payable	2,869,400
Solvency Assistance Advance Payable	17,892,500
Long-Term Liabilities:	
Due Within One Year	2,901,728
Due In More Than One Year	<u>48,605,594</u>
<i>Total Liabilities</i>	<u>105,872,589</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	135,797,702
Restricted for:	
Capital Projects	19,260,908
Debt Service	4,928,990
Other Purposes	6,595,108
Unrestricted (Deficit)	<u>(32,598,948)</u>
<i>Total Net Assets</i>	<u><u>\$133,983,760</u></u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest		
Governmental Activities:					
Instruction:					
Regular	\$64,787,013	\$513,494	\$10,989,703	\$0	(\$53,283,816)
Special	15,339,489	114,390	2,722,773	0	(12,502,326)
Vocational	3,601,535	543,904	481,822	0	(2,575,809)
Adult/Continuing	311,475	0	319,935	0	8,460
Support Services:					
Pupil	8,333,543	120,381	3,378,184	0	(4,834,978)
Instructional Staff	10,500,838	57,444	4,631,069	4,770	(5,807,555)
Board of Education	452,766	4,766	0	0	(448,000)
Administration	9,098,691	197,829	1,735,327	0	(7,165,535)
Fiscal	1,447,253	10,954	460,532	0	(975,767)
Business	1,003,668	8,134	0	0	(995,534)
Operation and Maintenance of Plant	14,579,091	142,384	2,195,637	0	(12,241,070)
Pupil Transportation	6,529,085	65,392	1,144,075	69,029	(5,250,589)
Central	1,130,972	8,550	160,444	0	(961,978)
Operation of Non-Instructional Services	2,352,412	4,427	1,801,639	0	(546,346)
Food Service Operation	3,781,652	272,113	3,756,647	0	247,108
Extracurricular Activities	1,926,796	118,497	0	0	(1,808,299)
Interest and Fiscal Charges	1,366,424	0	0	0	(1,366,424)
<i>Total Governmental Activities</i>	<u>\$146,542,703</u>	<u>\$2,182,659</u>	<u>\$33,777,787</u>	<u>\$73,799</u>	<u>(110,508,458)</u>

General Revenues

Property Taxes Levied for:

General Purposes	19,329,820
Debt Service	2,070,145
Other Purposes	249,445
Grants and Entitlements not Restricted to Specific Programs	
General Purposes	70,781,357
Classroom Facilities	739,897
Debt Service	286,013
Investment Earnings	3,401,739
Gain on Sale of Capital Assets	36,577
Miscellaneous	315,462

Total General Revenues 97,210,455

Change in Net Assets (13,298,003)

Net Assets Beginning of Year - Restated (See Note 3) 147,281,763

Net Assets End of Year \$133,983,760

See accompanying notes to the basic financial statements

Youngstown City School District

Balance Sheet

Governmental Funds

June 30, 2008

	General	Food Service	Poverty Based Assistance	Bond Retirement	Classroom Facilities
Assets					
Equity in Pooled Cash and Cash Equivalents	\$921,770	\$1,305,212	\$0	\$5,681,881	\$43,579,073
Cash and Cash Equivalents With Fiscal Agents	0	0	0	0	789,158
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	565,773	0	0	0	0
Property Taxes Receivable	18,344,932	0	0	2,008,317	0
Accounts Receivable	20,088	817	0	0	0
Interfund Receivable	242,271	0	0	0	0
Intergovernmental Receivable	33,499	426,102	0	0	8,658,205
Prepaid Items	128,428	0	0	0	0
Materials and Supplies Inventory	414,527	38,298	0	0	0
Inventory Held for Resale	0	43,694	0	0	0
Total Assets	\$20,671,288	\$1,814,123	\$0	\$7,690,198	\$53,026,436
Liabilities					
Accounts Payable	\$188,195	\$15,112	\$0	\$0	\$465,438
Contracts Payable	0	0	0	0	2,577,985
Accrued Wages and Benefits	5,948,631	75,728	813,422	0	0
Interfund Payable	0	0	0	0	0
Intergovernmental Payable	1,791,219	196,956	323,758	0	0
Matured Compensated Absences Payable	50,183	1,091	13,027	0	0
Deferred Revenue	18,344,932	0	0	2,008,317	8,658,205
Solvency Assistance Advance Payable	17,892,500	0	0	0	0
Total Liabilities	44,215,660	288,887	1,150,207	2,008,317	11,701,628
Fund Balances					
Reserved for Encumbrances	240,096	62,760	0	0	20,558,313
Reserved for Bus Purchases	468,439	0	0	0	0
Reserved for Unclaimed Monies	97,334	0	0	0	0
Unreserved, Undesignated, (Deficit) Reported in:					
General Fund	(24,350,241)	0	0	0	0
Special Revenue Funds	0	1,462,476	(1,150,207)	0	0
Debt Service Fund	0	0	0	5,681,881	0
Capital Projects Funds	0	0	0	0	20,766,495
Total Fund Balances (Deficit)	(23,544,372)	1,525,236	(1,150,207)	5,681,881	41,324,808
Total Liabilities and Fund Balances	\$20,671,288	\$1,814,123	\$0	\$7,690,198	\$53,026,436

See accompanying notes to the basic financial statements

Youngstown City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances	\$31,372,161
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$9,610,181	\$61,098,117	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	140,606,720
0	789,158		
0	565,773	Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
241,433	20,594,682	Property Taxes	1,671,165
1,280	22,185	School Facilities Monies	8,658,205
0	242,271	Grants	<u>2,886,207</u>
3,149,474	12,267,280	Total	13,215,577
0	128,428		
0	452,825	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	13,224
0	43,694		
<u>\$13,002,368</u>	<u>\$96,204,413</u>		
\$570,422	\$1,239,167	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(112,453)
0	2,577,985		
954,874	7,792,655	In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	395,853
242,271	242,271		
555,841	2,867,774	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
16,505	80,806	Classroom Facilities Bonds	(32,923,404)
3,127,640	32,139,094	Claims Payable	(192,376)
0	17,892,500	Compensated Absences	(11,841,671)
<u>5,467,553</u>	<u>64,832,252</u>	Early Retirement Incentive	(1,345,000)
		Capital Lease	<u>(5,204,871)</u>
1,042,371	21,903,540	Total	<u>(51,507,322)</u>
0	468,439		
0	97,334	<i>Net Assets of Governmental Activities</i>	<u><u>\$133,983,760</u></u>
0	(24,350,241)		
5,562,988	5,875,257		
0	5,681,881		
929,456	21,695,951		
<u>7,534,815</u>	<u>31,372,161</u>		
<u>\$13,002,368</u>	<u>\$96,204,413</u>		

Youngstown City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Food Service	Poverty Based Assistance	Bond Retirement	Classroom Facilities
Revenues					
Property Taxes	\$19,464,034	\$0	\$0	\$2,068,073	\$0
Intergovernmental	70,850,386	3,840,996	12,725,467	286,013	21,072,997
Interest	1,518,738	0	0	0	1,883,001
Tuition and Fees	897,268	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Contributions and Donations	0	0	0	0	0
Charges for Services	0	278,223	0	0	0
Rentals	99,818	0	0	0	0
Miscellaneous	216,522	23,364	0	0	0
<i>Total Revenues</i>	<u>93,046,766</u>	<u>4,142,583</u>	<u>12,725,467</u>	<u>2,354,086</u>	<u>22,955,998</u>
Expenditures					
Current:					
Instruction:					
Regular	47,418,111	0	9,966,607	0	0
Special	10,735,632	0	479,982	0	0
Vocational	2,549,687	0	0	0	0
Adult/Continuing	0	0	0	0	0
Support Services:					
Pupil	3,621,838	0	418,800	0	0
Instructional Staff	3,930,385	0	816,601	0	0
Board of Education	450,212	0	0	0	0
Administration	6,401,896	0	123,087	0	0
Fiscal	1,060,510	0	0	50,250	0
Business	775,593	0	0	0	0
Operation and Maintenance of Plant	11,500,775	76,851	1,638,570	0	0
Pupil Transportation	5,075,809	2,753	50	0	0
Central	831,606	0	89,202	0	0
Operation of Non-Instructional Services	69,999	0	0	0	0
Operation of Food Services	0	3,552,508	0	0	0
Extracurricular Activities	459,041	0	0	0	0
Capital Outlay	203,492	0	0	0	32,273,338
Debt Service:					
Principal Retirement	137,146	0	0	1,080,000	0
Interest and Fiscal Charges	9,161	0	0	1,365,632	14,047
<i>Total Expenditures</i>	<u>95,230,893</u>	<u>3,632,112</u>	<u>13,532,899</u>	<u>2,495,882</u>	<u>32,287,385</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,184,127)</u>	<u>510,471</u>	<u>(807,432)</u>	<u>(141,796)</u>	<u>(9,331,387)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	38,842	225	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	(585,759)	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(546,917)</u>	<u>225</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(2,731,044)	510,696	(807,432)	(141,796)	(9,331,387)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(20,813,328)</u>	<u>1,014,540</u>	<u>(342,775)</u>	<u>5,823,677</u>	<u>50,656,195</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$23,544,372)</u>	<u>\$1,525,236</u>	<u>(\$1,150,207)</u>	<u>\$5,681,881</u>	<u>\$41,324,808</u>

See accompanying notes to the basic financial statements

Youngstown City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Other Governmental Funds	Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	(\$11,469,489)																																																						
\$250,176	\$21,782,283	<p><i>Amounts reported for governmental activities in the statement of activities are different because</i></p> <p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Capital Outlay</td> <td style="text-align: right;">23,560,309</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,574,857)</td> <td style="border-top: 1px solid black;"></td> </tr> <tr> <td style="text-align: right;">Total</td> <td></td> <td style="text-align: right;">18,985,452</td> </tr> </table> <p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.</p> <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Property Taxes</td> <td style="text-align: right;">(132,873)</td> <td></td> </tr> <tr> <td>School Facilities Monies</td> <td style="text-align: right;">(20,333,100)</td> <td></td> </tr> <tr> <td>Grants</td> <td style="text-align: right;">328,255</td> <td style="border-top: 1px solid black;"></td> </tr> <tr> <td style="text-align: right;">Total</td> <td></td> <td style="text-align: right;">(20,137,718)</td> </tr> </table> <p>Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Classroom Facilities Bonds</td> <td style="text-align: right;">1,080,000</td> <td></td> </tr> <tr> <td>Capital Lease</td> <td style="text-align: right;">137,146</td> <td style="border-top: 1px solid black;"></td> </tr> <tr> <td style="text-align: right;">Total</td> <td></td> <td style="text-align: right;">1,217,146</td> </tr> </table> <p>Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable (which represents contractually required pension contributions), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Compensated Absences</td> <td style="text-align: right;">644,598</td> <td></td> </tr> <tr> <td>Early Retirement Incentive</td> <td style="text-align: right;">715,000</td> <td></td> </tr> <tr> <td>Claims Payable</td> <td style="text-align: right;">23,497</td> <td style="border-top: 1px solid black;"></td> </tr> <tr> <td style="text-align: right;">Total</td> <td></td> <td style="text-align: right;">1,383,095</td> </tr> </table> <p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated of the internal service fund is allocated among the governmental activities.</p> <p>In the statement of activities, interest is accrued on outstanding bonds, bond premium and bond issuance cost are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Accrued Interest</td> <td style="text-align: right;">2,700</td> <td></td> </tr> <tr> <td>Amortization of Issuance Costs</td> <td style="text-align: right;">(19,152)</td> <td></td> </tr> <tr> <td>Bond Premium Amortization</td> <td style="text-align: right;">38,868</td> <td style="border-top: 1px solid black;"></td> </tr> <tr> <td style="text-align: right;">Total</td> <td></td> <td style="text-align: right;">22,416</td> </tr> </table>		Capital Outlay	23,560,309		Depreciation	(4,574,857)		Total		18,985,452	Property Taxes	(132,873)		School Facilities Monies	(20,333,100)		Grants	328,255		Total		(20,137,718)	Classroom Facilities Bonds	1,080,000		Capital Lease	137,146		Total		1,217,146	Compensated Absences	644,598		Early Retirement Incentive	715,000		Claims Payable	23,497		Total		1,383,095	Accrued Interest	2,700		Amortization of Issuance Costs	(19,152)		Bond Premium Amortization	38,868		Total		22,416
Capital Outlay	23,560,309																																																								
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16,811,723	125,587,582																																																								
13,209	3,414,948																																																								
680,032	1,577,300																																																								
227,318	227,318																																																								
62,907	62,907																																																								
0	278,223																																																								
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75,576	315,462																																																								
18,120,941	153,345,841																																																								
1,122,549	58,507,267																																																								
2,582,166	13,797,780																																																								
896,954	3,446,641																																																								
309,252	309,252																																																								
3,297,728	7,338,366																																																								
4,088,610	8,835,596																																																								
0	450,212																																																								
1,585,118	8,110,101																																																								
341,107	1,451,867																																																								
0	775,593																																																								
128,044	13,344,240																																																								
1,107,142	6,185,754																																																								
74,000	994,808																																																								
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62,546	32,539,376																																																								
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445,715	(11,508,556)																																																								
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6,503,341	42,841,650																																																								
\$7,534,815	\$31,372,161	Change in Net Assets of Governmental Activities	(\$13,298,003)																																																						

Youngstown City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$17,950,282	\$19,464,034	\$19,464,034	\$0
Intergovernmental	65,984,061	71,548,514	71,548,514	0
Interest	1,119,558	1,213,971	1,248,253	34,282
Tuition and Fees	863,756	936,597	936,597	0
Rentals	92,055	99,818	99,818	0
Miscellaneous	191,944	208,131	209,831	1,700
<i>Total Revenues</i>	<u>86,201,656</u>	<u>93,471,065</u>	<u>93,507,047</u>	<u>35,982</u>
Expenditures				
Current:				
Instruction:				
Regular	44,352,344	48,198,235	48,198,235	0
Special	10,158,630	11,032,638	11,032,638	0
Vocational	2,437,166	2,650,594	2,650,594	0
Support Services:				
Pupil	3,508,877	3,816,521	3,816,521	0
Instructional Staff	3,823,929	4,158,620	4,158,620	0
Board of Education	360,482	389,699	389,699	0
Administration	6,114,281	6,646,702	6,649,412	(2,710)
Fiscal	1,478,529	1,607,665	1,609,455	(1,790)
Business	891,942	969,736	969,736	0
Operation and Maintenance of Plant	10,862,946	11,803,521	11,803,521	0
Pupil Transportation	4,720,679	5,128,844	5,128,844	0
Central	767,081	832,839	832,839	0
Operation of Non-Instructional Services	65,104	70,820	70,820	0
Extracurricular Activities	406,536	439,524	439,524	0
Capital Outlay	490,629	497,041	497,041	0
Debt Service	7,512,500	7,512,500	7,512,500	0
<i>Total Expenditures</i>	<u>97,951,655</u>	<u>105,755,499</u>	<u>105,759,999</u>	<u>(4,500)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(11,749,999)</u>	<u>(12,284,434)</u>	<u>(12,252,952)</u>	<u>31,482</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	38,842	38,842	38,842	0
Solvency Assistance Advance Proceeds	10,380,000	10,380,000	10,380,000	0
Advances In	712,410	712,410	712,410	0
Advances Out	0	0	(203,494)	(203,494)
Transfers Out	(585,759)	(585,759)	(585,759)	0
<i>Total Other Financing Sources (Uses)</i>	<u>10,545,493</u>	<u>10,545,493</u>	<u>10,341,999</u>	<u>(203,494)</u>
<i>Net Change in Fund Balance</i>	(1,204,506)	(1,738,941)	(1,910,953)	(172,012)
<i>Fund Balance Beginning of Year</i>	2,139,306	2,139,306	2,139,306	0
Prior Year Encumbrances Appropriated	939,411	939,411	939,411	0
<i>Fund Balance End of Year</i>	<u>\$1,874,211</u>	<u>\$1,339,776</u>	<u>\$1,167,764</u>	<u>(\$172,012)</u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$3,027,767	\$3,476,167	\$3,476,167	\$0
Charges for Services	216,838	248,951	278,223	29,272
Miscellaneous	20,670	23,764	23,764	0
<i>Total Revenues</i>	3,265,275	3,748,882	3,778,154	29,272
Expenditures				
Current:				
Support Services:				
Operation and Maintenance of Plant	11,541	92,080	92,080	0
Pupil Transportation	2,704	2,778	2,778	0
Operation of Food Services	3,774,433	3,380,164	3,380,164	0
<i>Total Expenditures</i>	3,788,678	3,475,022	3,475,022	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(523,403)	273,860	303,132	29,272
Other Financing Sources				
Sale of Capital Assets	225	225	225	0
<i>Net Change in Fund Balance</i>	(523,178)	274,085	303,357	29,272
<i>Fund Balance Beginning of Year</i>	774,865	774,865	774,865	0
Prior Year Encumbrances Appropriated	150,012	150,012	150,012	0
<i>Fund Balance End of Year</i>	\$401,699	\$1,198,962	\$1,228,234	\$29,272

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Poverty Based Assistance Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$13,093,740	\$12,725,467	\$12,725,467	\$0
Expenditures				
Current:				
Instruction:				
Regular	10,315,369	10,042,414	10,042,414	0
Special	532,490	518,400	518,400	0
Support Services:				
Pupil	409,750	398,908	398,908	0
Instructional Staff	802,526	781,290	781,290	0
Administration	117,060	113,962	113,962	0
Operation and Maintenance of Plant	1,649,922	1,606,296	1,606,296	0
Pupil Transportation	51	50	50	0
Central	91,627	89,202	89,202	0
<i>Total Expenditures</i>	13,918,795	13,550,522	13,550,522	0
<i>Net Change in Fund Balance</i>	(825,055)	(825,055)	(825,055)	0
<i>Fund Balance Beginning of Year</i>	823,835	823,835	823,835	0
Prior Year Encumbrances Appropriated	1,220	1,220	1,220	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$0	\$0

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2008

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,891,634
Liabilities	
Contracts Payable	9,010
Claims Payable	<u>2,869,400</u>
<i>Total Liabilities</i>	<u>2,878,410</u>
Net Assets	
Unrestricted	<u><u>\$13,224</u></u>

See accompanying notes to the basic financial statements

Youngstown City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2008*

	Insurance
Operating Revenues	
Charges for Services	\$14,937,190
Operating Expenses	
Purchased Services	58,025
Claims	17,249,188
<i>Total Operating Expenses</i>	17,307,213
<i>Change in Net Assets</i>	(2,370,023)
<i>Net Assets Beginning of Year</i>	2,383,247
<i>Net Assets End of Year</i>	\$13,224

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$15,452,190
Cash Payments for Employee Benefits	318
Cash Payments for Goods and Services	(564,333)
Cash Payments for Claims	(15,752,483)
<i>Net Decrease in Cash and Cash Equivalents</i>	(864,308)
<i>Cash and Cash Equivalents Beginning of Year</i>	3,755,942
<i>Cash and Cash Equivalents End of Year</i>	\$2,891,634
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$2,370,023)
Adjustments:	
Increase in Contracts Payable	9,010
Increase in Claims Payable	1,496,705
Total Adjustments	1,505,715
<i>Net Cash Used for Operating Activities</i>	(\$864,308)
See accompanying notes to the basic financial statements	

Youngstown City School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$182,428	\$172,067
Accounts Receivable	331	0
<i>Total Assets</i>	<u>182,759</u>	<u>\$172,067</u>
Liabilities		
Undistributed Monies	0	\$17,984
Contracts Payable	22,341	0
Due to Students	0	154,083
<i>Total Liabilities</i>	<u>22,341</u>	<u>\$172,067</u>
Net Assets		
Held in Trust for Scholarships	<u>\$160,418</u>	

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$68,326
Deductions	
Scholarships Awarded	<u>159,297</u>
<i>Change in Net Assets</i>	(90,971)
<i>Net Assets Beginning of Year</i>	<u>251,389</u>
<i>Net Assets End of Year</i>	<u><u>\$160,418</u></u>

See accompanying notes to the basic financial statements

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Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District

Youngstown City School District (the School District) operates under a locally-elected seven-member Board form of government and provides educational services as authorized by State and Federal agencies. The Board controls the School District's instructional and support facilities staffed by 526 non-certified employees, 679 certified full-time teaching personnel and 73 administrative employees, who provide services to students and other community members.

The School District is located in Youngstown, Ohio, Mahoning County, including an area extending roughly five miles around the City. The enrollment for the School District during the 2008 fiscal year was 10,950. The School District operates seven elementary schools, five middle/junior high schools, two high schools, one vocational school, one early college high school, one alternative school and one community school.

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

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

Reporting Entity

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

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

disbursed by the School District on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Fund Accounting

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

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

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

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

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

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

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

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

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

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

During fiscal year 2008, investments were limited to federal home loan mortgage corporation notes, money market mutual funds and STAROhio.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$1,518,738, of which \$1,437,399 was assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

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

J. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

K. Interfund Balances

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

L. Compensated Absences

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

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

M. Accrued Liabilities and Long-term Obligations

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

N. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the classroom facilities bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the fund financial statements, bond issuance costs are expended in the year the bonds are issued.

O. Bond Premium

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$30,785,006, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for instruction, support services, operation of non-instructional services, food service operations and extracurricular activities.

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

Q. Fund Balance Reserves

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

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

R. Operating Revenues and Expenses

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

S. Interfund Activity

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

U. Estimates

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

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

A. Change in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The implementation of this statement did not result in any change to the financial statements. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amounts of \$357,063 and \$120,277, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Restatement of Net Assets

During fiscal year 2008, it was determined that the amount of Ohio School Facilities Commission (OSFC) State funding was understated by \$21,803,387. This restatement increased total net assets at June 30, 2007 from \$125,478,376 to \$147,281,763.

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2008, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Poverty Based Assistance	\$1,150,207
Title I	285,938
Miscellaneous Federal Grants	1,911
Special Enterprise	985

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

B. Compliance

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

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

Net Change in Fund Balance
 General and Major Special Revenue Funds

	General	Food Service	Poverty Based Assistance
GAAP Basis	(\$2,731,044)	\$510,696	(\$807,432)
Revenue Accruals	682,573	(364,429)	0
Advance In	712,410	0	0
Beginning Fair Value Adjustment for Investments	(255,632)	0	0
Ending Unrecorded Cash	33,340	0	0
State Solvency Assistance Advance Proceeds	10,380,000	0	0
Expenditure Accruals	(10,175,987)	234,068	(17,623)
Advance Out	(203,494)	0	0
Encumbrances	(353,119)	(76,978)	0
Budget Basis	(\$1,910,953)	\$303,357	(\$825,055)

Note 6 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$24,001,950 of the School District's bank balance of \$25,001,950 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

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Notes to the Basic Financial Statements
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Investments

Investments are reported at fair value. As of June 30, 2008, the School District had the following investments:

	Fair Value	Maturity
Federal Home Loan Mortgage Corporation Notes	\$6,477,900	August 25, 2008
STAROhio	34,386,984	Average 53.8 days
Total	\$40,864,884	

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

Credit Risk All investments of the School District carry a rating of AAA by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2008:

Investment	Percentage of Investments
Federal Home Loan Mortgage Corporation Notes	15.85 %
STAROhio	84.15

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, the portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Due to the timing of tax bills sent by the County, there was no money available as an advance to the School District at June 30, 2008 or June 30, 2007.

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

	2007 Second - Half Collections		2008 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$529,992,150	79.58%	\$533,635,780	83.59%
Public Utility	54,667,640	8.21	43,276,950	6.78
Tangible Personal Property	81,308,834	12.21	61,466,912	9.63
Total Assessed Value	\$665,968,624	100.00%	\$638,379,642	100.00%
Tax rate per \$1,000 of assessed valuation	\$51.00		\$51.00	

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental. Except for property taxes, receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except for the Ohio School Facilities Commission grant and

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Notes to the Basic Financial Statements
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property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

	Taxes Receivable	Estimated Uncollectible	Net Receivable
Property Taxes	\$27,929,153	\$7,334,471	\$20,594,682

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Ohio School Facilities Commission	\$8,658,205
Title I Grants	1,210,277
Teacher Development Grants	674,622
Title VI-B Grants	576,954
Federal Assistance	426,102
Early Childhood Education Grants	220,818
Miscellaneous Federal Grants	200,000
Miscellaneous State Grants	72,130
Adult Education Grants	56,981
Title VI Grants	39,154
Preschool Grants	35,324
Various School Districts' Tuition	33,499
Alternative Schools	29,247
Vocational Education Grants	11,309
Limited English Proficiency Grants	10,852
Ohio Reads Grants	6,000
Drug Free Grants	5,806
Total	\$12,267,280

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deductions	Balance 6/30/2008
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,002,781	\$0	\$0	\$1,002,781
Construction in Progress	59,817,060	22,776,843	(61,380,378)	21,213,525
<i>Total Nondepreciable Capital Assets</i>	60,819,841	22,776,843	(61,380,378)	22,216,306

Youngstown City School District
Notes to the Basic Financial Statements
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Governmental Activities	Balance 6/30/2007	Additions	Deductions	Balance 6/30/2008
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	\$78,509,312	\$61,380,378	(\$4,257,520)	\$135,632,170
Furniture and Equipment	22,198,171	112,603	(732,295)	21,578,479
Vehicles	2,784,914	0	0	2,784,914
Textbooks	1,333,053	670,863	0	2,003,916
<i>Total Capital Assets being Depreciated</i>	<u>104,825,450</u>	<u>62,163,844</u>	<u>(4,989,815)</u>	<u>161,999,479</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(21,333,218)	(3,176,815)	3,331,128	(21,178,905)
Furniture and Equipment	(18,611,925)	(961,509)	729,805	(18,843,629)
Vehicles	(2,232,941)	(81,063)	0	(2,314,004)
Textbooks	(917,057)	(355,470)	0	(1,272,527)
<i>Total Accumulated Depreciation</i>	<u>(43,095,141)</u>	<u>(4,574,857)</u>	<u>4,060,933</u>	<u>(43,609,065)</u>
<i>Total Assets being Depreciated, Net</i>	<u>61,730,309</u>	<u>57,588,987</u>	<u>(928,882)</u>	<u>118,390,414</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$122,550,150</u>	<u>\$80,365,830</u>	<u>(\$62,309,260)</u>	<u>\$140,606,720</u>

Depreciation expense was charged to governmental activities as follows:

<i>Instruction:</i>	
Regular	\$2,056,577
Special	340,657
Vocational	81,676
<i>Support Services:</i>	
Pupil	210,086
Instructional Staff	578,098
Board of Education	815
Administration	249,782
Fiscal	2,610
Business	67,958
Operation and Maintenance of Plant	281,698
Pupil Transportation	99,430
Central	46,698
Operation of Non-Instructional Services	153,533
Food Service Operation	30,249
Extracurricular Activities	374,990
Total Depreciation Expense	<u><u>\$4,574,857</u></u>

Youngstown City School District
Notes to the Basic Financial Statements
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Note 10 - 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, 2008.

B. Litigation

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

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the School District contracted with the L. Calvin Jones and Company for catastrophic property insurance. The catastrophic policy has a current replacement value in the amount of \$233,012,073 and \$20,000,000 per occurrence limit with a \$75,000 deductible. Professional and Pollution liability is protected by the Lexington Insurance Company providing a \$2,000,000 per claim limit with a \$10,000,000 policy term aggregate. Each claim is subject to a \$100,000 deductible.

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

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

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

Settled claims have not exceeded this commercial coverage in any of the past three years. In order to have adequate insurance coverage to cover the two new schools opened during fiscal year 2008 the School District has had a significant increase in coverage from the prior year.

\$50,000 performance bonds are maintained for the board president, superintendent, and business manager; a \$250,000 bond is maintained for the treasurer. These bonds are maintained by the Nationwide Agribusiness Insurance Company.

Youngstown City School District
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B. Worker's Compensation

The School District participates in the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured. During fiscal year 2008, the School District paid the State Workers' Compensation System a premium based on a rate of .016313 per \$100 of salaries.

The balance of claims payable at June 30, 2008 represents an estimate of the liability for unpaid claim costs provided by Workers' Compensation for the periods during which the School District was retrospectively rated. The claims liability of \$192,376 at June 30, 2008, is based on the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$105,923	\$136,431	\$26,481	\$215,873
2008	215,873	30,471	53,968	192,376

C. Employee Health Benefits

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

The claims liability of \$2,869,400 reported in the internal service fund at June 30, 2008 is based on estimates provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in total claims liability during fiscal years 2007 and 2008 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$1,666,512	\$14,101,448	\$14,395,265	\$1,372,695
2008	1,372,695	17,249,188	15,752,483	2,869,400

Youngstown City School District
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Note 12 - Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,382,374, \$1,701,904 and \$1,682,954, respectively; 54.19 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (614) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Youngstown City School District
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only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,563,307, \$6,095,674, and \$6,858,599 respectively; 85.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$43,804 made by the School District and \$97,627 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

A. School Employee Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount, for 2008, this amount was \$240,539.

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$630,821, \$565,032, and \$587,872 respectively; 54.19 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$99,603, \$115,730, and \$133,949 respectively; 54.19 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$427,947, \$468,898, and \$527,585 respectively; 85.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 14 - Employee Benefits

A. Compensated Absences

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

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

During fiscal year 2006, the School District negotiated an early retirement incentive payment of \$30,000 for eligible employees. The incentive payment is made in six equal payments in October and January of the three consecutive years after retirement. The first payment was made on October 15, 2006. An employee is eligible if the employee has a minimum of 10 years of service to the School District, retired with an effective

Youngstown City School District
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For the Fiscal Year Ended June 30, 2008

retirement date of July 1, 2006 or August 1, 2006 and notified the School District of the intent to retire no later than May 2, 2006. There was a liability of \$400,000 as of June 30, 2008 for this plan.

During fiscal year 2007, the School District negotiated an early retirement incentive payment of \$30,000 for eligible employees. The incentive payment is made in four equal payments in October of the first consecutive year after retirement, in October and January of the second consecutive year, and in October of the third consecutive year. A small number of employees will receive their last payment in January of the third consecutive year instead of receiving one of their four equal payments in January of the second consecutive year. The first payment will be made on October 1, 2007. An employee is eligible if the employee has a minimum of 10 years of service to the School District, retired with an effective retirement date of June 1, 2007, July 1, 2007 or August 1, 2007 and notified the School District of the intent to retire no later than April 20, 2007. There was a liability of \$945,000 as of June 30, 2008 for this plan.

B. Life Insurance

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

Note 15 – Contractual Commitments

As of June 30, 2008, the School District had the following contractual purchase commitments outstanding:

Contractor	Contract Amount	Amount Paid to date	Remaining Contract
AA Samuels Sheet Metal	\$1,105,800	\$0	\$1,105,800
AA Blueprint Company, Inc.	20,300	18,125	2,175
ACA Engineering, Inc.	127,063	63,217	63,846
AT&T	223,775	0	223,775
AT&T Data Com	154,997	5,242	149,755
Balog, Steines, Hendricks	2,662,953	2,293,266	369,687
Brewer-Garret Company	280,258	128,145	152,113
Builders Hardware	29,739	18,811	10,928
Cardinal Environmental Services	352,290	275,815	76,475
Charniga Plumbing and Heater	304,150	186,652	117,498
Conti Corporation	4,704,970	3,264,247	1,440,723
Continental Educational	709,971	659,031	50,940
Delphi Consulting, Inc.	786,300	421,076	365,224
Desalvo Construcion Co., Inc.	9,573,730	7,234,671	2,339,059
Dominion East Ohio Gas	51,030	27,400	23,630
Enertech Electrical, Inc.	2,296,591	1,785,253	511,338
En-Ser Reprographics Company	51,775	37,702	14,073
Environmental Protection	255,263	214,420	40,843

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Contractor	Contract Amount	Amount Paid to date	Remaining Contract
Fire Foe Corporation	\$1,336,527	\$1,142,931	\$193,596
Gandee & Associates, Inc.	377,217	205,883	171,334
Heery International	491,980	340,720	151,260
Hepa Environmental Service	115,980	50,903	65,077
Hess Energy Marketing	90,137	78,345	11,792
Jiffy Professional	2,000	0	2,000
Johnson Controls Inc.	1,897,303	1,421,525	475,778
K Company	45,754	10,626	35,128
Komar Plumbing Company	266,796	155,295	111,501
Kreidler Construction Company	11,928,677	5,884,433	6,044,244
Krueger International	588,465	0	588,465
Landscape by Design	80,408	3,398	77,010
Mid-West Telephone	1,703,745	1,237,651	466,094
MS Consultants, Inc.	1,563,820	1,105,178	458,642
Murphy Contracting Company	7,856,743	7,693,467	163,276
Ohio Edison	243,233	165,450	77,783
Olsavsky-Jaminet Architects	3,415,649	1,929,455	1,486,194
Penn Ohio Electrical Company	1,263,623	0	1,263,623
Pro Quality Land and Development	784,907	402,040	382,867
Professional Services Industrial Inc.	235,937	163,595	72,342
Project Management Consultants	23,000	7,700	15,300
Prout Boiler & Heating	1,120,536	533,543	586,993
Ralph Tyler Companies	2,990,592	1,959,634	1,030,958
Rizzi Distributors, Inc.	225,900	0	225,900
Roth Brothers, Inc.	1,655,023	1,632,489	22,534
Rudzik Excavating Inc.	2,576,254	2,510,899	65,355
S.A. Communale Company, Inc.	1,019,745	786,936	232,809
Strollo & Associates, Inc.	2,463,393	1,750,095	713,298
Sugar Excavating Inc.	1,470,331	1,373,070	97,261
Time Warner	5,550	0	5,550
Tomko, WG Inc.	1,559,089	1,544,673	14,416
Tri-Area Electric Company	5,524,224	5,117,407	406,817
Valley Electric Consolidated	2,945,698	2,860,534	85,164
Welty Building Company, LTD	7,959,802	7,752,501	207,301
Western Reserve Mechanical	21,200	0	21,200
York Mahoning Mechanical	7,818,355	7,326,452	491,903
	<u>\$97,358,548</u>	<u>\$73,779,901</u>	<u>\$23,578,647</u>

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 16 – Note Debt

During fiscal years 2007 and 2008, the School District received interest free State solvency assistance advances in the amounts of \$15,025,000 and \$10,380,000, respectively. The State solvency assistance advances will be paid from the general fund with school foundation revenue. A liability for the notes is reflected in the general fund which received the proceeds.

	Outstanding 6/30/2007	Additions	Deletions	Outstanding 6/30/2008
FY 2007 Solvency Assistance Advance	\$15,025,000	\$0	\$7,512,500	\$7,512,500
FY 2008 Solvency Assistance Advance	0	10,380,000	0	10,380,000
Total Solvency Assistance Advance	\$15,025,000	\$10,380,000	\$7,512,500	\$17,892,500

In fiscal year 2009, the School District will pay \$7,512,500 to retire the fiscal year 2007 solvency assistance loan.

In fiscal years 2009 and 2010, the School District will pay \$5,190,000 a year to retire the fiscal year 2008 solvency assistance loan.

Note 17 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due in One Year
<i>Classroom Facilities Bonds</i>					
Classroom Facilities Bonds Series 2005	\$33,200,000	\$0	\$1,080,000	\$32,120,000	\$1,110,000
Unamortized Premium	842,272	0	38,868	803,404	0
<i>Total Classroom Facilities Bonds</i>	<i>34,042,272</i>	<i>0</i>	<i>1,118,868</i>	<i>32,923,404</i>	<i>1,110,000</i>
Capital Lease Payable	5,342,017	0	137,146	5,204,871	142,719
Claims Payable	215,873	30,471	53,968	192,376	48,094
Compensated Absences	12,486,269	218,160	862,758	11,841,671	623,415
Early Retirement Incentive	2,060,000	0	715,000	1,345,000	977,500
<i>Total General Long - Term Obligations</i>	<i>\$54,146,431</i>	<i>\$248,631</i>	<i>\$2,887,740</i>	<i>\$51,507,322</i>	<i>\$2,901,728</i>

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

The School District's overall debt margin was \$24,615,057 with an unvoted debt margin of \$567,258 at June 30, 2008. Principal and interest requirements to retire the classroom facilities bonds and early retirement incentive are as follows:

Fiscal Year Ended June 30,	Classroom Facilities Bonds		Early Retirement Incentive
	Principal	Interest	
2009	\$1,110,000	\$1,332,782	\$977,500
2010	1,145,000	1,298,957	367,500
2011	1,180,000	1,264,083	0
2012	1,215,000	1,228,158	0
2013	1,250,000	1,188,057	0
2014-2018	6,940,000	5,230,860	0
2019-2023	8,490,000	3,616,925	0
2024-2028	10,790,000	1,260,644	0
Total	\$32,120,000	\$16,420,466	\$1,345,000

Note 18 – Capital Leases

A. Phone System Lease

The School District entered into a capital lease for a phone system during fiscal year 2005. The lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2008 follows:

	Amounts
Asset:	
Equipment	\$662,192
Less: Accumulated Depreciation	(198,657)
Current Book Value	\$463,535

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Year ending June 30,	Phone Lease
2009	\$146,307
2010	12,193
Total Minimum Lease Payments	158,500
Less: Amount Representing Interest	(3,629)
Present Value of Minimum Lease Payments	\$154,871

B. Building Lease

This capital lease obligation recorded on the governmental wide statements relates to the improvement of several buildings in the School District. As part of this agreement, JP Morgan Chase Bank, N.A., as lessor, deposited \$5,050,000 into the School District's account. The School District will be making annual interest payments over a ten year period to JP Morgan Chase Bank, its escrow agent, which will pay the annual interest and invest the sinking fund dollars at an interest rate that will generate at least \$1,228,924 over the lease period, the difference between the sinking payments and the lease principal payment. It is the assumption of the School District that the money in the sinking fund will be invested and earn enough interest to allow the lease to be paid in full in December 2020.

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

Year ending June 30,	Building Lease
2009	\$32,825
2010	32,825
2011	32,825
2012	32,825
2013	32,825
2014-2018	164,125
2019-2021	5,148,475
Total Minimum Lease Payments	5,476,725
Less: Amount Representing Interest	(426,725)
Present Value of Minimum Lease Payments	\$5,050,000

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Year ending June 30,	Principal	Interest	Sinking Fund Payments	Total Lease Payment
2009	\$0	\$32,825	\$382,108	\$414,933
2010	0	32,825	382,108	414,933
2011	0	32,825	382,108	414,933
2012	0	32,825	382,108	414,933
2013	0	32,825	382,108	414,933
2014-2018	0	164,125	1,146,320	1,310,445
2019-2021	5,050,000	98,475	0	5,148,475
	<u>\$5,050,000</u>	<u>\$426,725</u>	<u>\$3,056,860</u>	<u>\$8,533,585</u>

Note 19 - Interfund Transactions

A. Interfund Transfers

Transfers To	Transfers From		
	General	Other Governmental Funds	Total
Miscellaneous Local Grants	\$10,967	\$0	\$10,967
District Managed Activity	32,464	0	32,464
Adult Basic Education	10,889	0	10,889
Title VI-B	156,588	0	156,588
Vocational Education	15,749	0	15,749
Limited English Proficiency	9,217	0	9,217
Title I	160,386	0	160,386
Title VI	13,847	0	13,847
Drug Free Schools Grant	46,140	0	46,140
Preschool Grant	40,703	0	40,703
Miscellaneous Federal Grants	88,809	233	89,042
Total	<u>\$585,759</u>	<u>\$233</u>	<u>\$585,992</u>

The general fund transferred \$585,759 to the various special revenue funds to help provide funding for these programs in fiscal year 2008.

The miscellaneous state grants special revenue fund transferred \$233 to the miscellaneous federal grants special revenue fund due to an error resulting from expenditures that were charged to the incorrect fund.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Interfund Balances

	Interfund Receivable
Interfund Payable	General
Public School Support	\$2,975
Miscellaneous Local Grants	19,903
Ohio Reads	3,494
Alternative Schools	1,663
Title I	238
Miscellaneous Federal Grants	213,998
<i>Total All Funds</i>	\$242,271

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

Note 20 - Jointly Governed Organizations

A. Access Council of Governments

The Access Council of Governments (COG) is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge before any e-rate credits, which was \$39 for fiscal year 2008. Youngstown City School District paid \$99,341 to COG during fiscal year 2008. COG is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of COG including budgeting, appropriating, contracting and designating management. All of COG revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Youngstown, Ohio 44512.

B. Tech Prep Consortium

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 21 - Set-Aside Calculations

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2007	(\$120,547)	\$0	\$0
Current Year Set-Aside Requirement	1,270,785	1,270,785	0
Offsets	0	(1,080,000)	0
Qualifying Disbursements	<u>(1,559,275)</u>	<u>(988,185)</u>	<u>0</u>
Total	<u>(\$409,037)</u>	<u>(\$797,400)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2008 and Carried Forward to Future Fiscal Years	<u>(\$409,037)</u>	<u>\$0</u>	<u>\$0</u>

The School District, under Ohio Revised Code 3315.17 and 33.15.18, elected to suspend contributions into the textbooks and instructional materials for fiscal 2008. The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook and capital acquisition set-asides. The extra amount in the textbook set-aside may be used to reduce the set-aside requirement of future years. The extra amount in the capital acquisition set-aside may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

Note 22 – Subsequent Event

On November 4, 2008, the residents of the School District passed a four-year 9.5 mill operating levy placed on the ballot. This levy is anticipated to generate \$5.291 million dollars in additional revenue.

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YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Pass -Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	045161	10.550		\$ 336,725		\$ 336,725
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$ 904,209		\$ 904,209	
National School Lunch Program	3L60	10.555	2,430,545		2,430,545	
Total - Nutrition Cluster			3,334,754		3,334,754	
Total U.S. Department of Agriculture			\$ 3,334,754	\$ 336,725	\$ 3,334,754	\$ 336,725
<u>U.S. DEPARTMENT OF DEFENSE</u>						
<i>Direct Program</i>						
Junior Reserve Officer Training Corp		12.000	45,495		45,495	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education.</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	3M20	84.027	2,844,268		2,984,368	
Special Education - Preschool Grant	3C50	84.173	154,531		167,126	
Total Special Education Cluster			2,998,799		3,151,494	
Adult Education-Basic Grants to States	3660	84.002	397,591		397,591	
Grants to Local Educational Agencies (ESEA Title I)	3M00	84.010	6,592,499		7,391,293	
Career and Technical Education Basic Grants to States	3L90	84.048	438,075		442,904	
Federal Pell Grant Program		84.063	213,966		212,944	
Safe and Drug-Free Schools and Communities Grant - State	3D10	84.186	108,958		108,958	
<i>Passed Through Ohio Department of Education.</i>						
Education for Homeless Children and Youth	3090	84.196	83,310		83,310	
Fund for Improvement in Education Grant		84.215	486,387		486,387	
21st Century Community Learning Centers	3Y20	84.287	234,608		234,608	
State Grants for Innovative Programs	3M10	84.298	10,113		40,074	
Education Technology State Grants	3S20	84.318	64,467		64,467	
Reading First State Grant	3Y40	84.357	111,263		111,263	
English Language Acquisition Grants	3Y70	84.365	39,320		53,873	
Improving Teacher Quality State Grants	3Y60	84.367	972,207		704,763	
Total U.S. Department of Education			9,752,764		10,332,435	
<u>Corp. for National & Community Service</u>						
<i>Direct Program</i>						
Americorps		94.006	48,838		48,838	
Totals			\$ 16,180,650	\$ 336,725	\$ 16,913,016	\$ 336,725

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

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipt and Expenditure Schedule (the "Schedule") reports the Youngstown City School District's (the "District") federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Youngstown City School District, Mahoning County, (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2009, wherein we noted the District is experiencing financial difficulties that raises substantial doubt about its ability to continue as a going concern. The Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Revised Code Section. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated December 1, 2009.

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www.auditor.state.oh.us

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 1, 2009.

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



Robert R. Hinkle, CPA
Chief Deputy Auditor

December 1, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Youngstown City School District, Mahoning County, (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Youngstown City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

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



Robert R. Hinkle, CPA
Chief Deputy Auditor

December 1, 2009

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I – CFDA #84.010 Title VI-B – CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 517,492 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 12, 2010