



Dave Yost • Auditor of State

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	4
Statement of Net Assets – June 30, 2012	14
Statement of Activities – For the Fiscal Year Ended June 30, 2012.....	15
Balance Sheet – Governmental Funds – June 30, 2012	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2012.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2012.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2012	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2012	20
Statement of Fund Net Assets – Internal Service Fund – June 30, 2012.....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund – For the Fiscal Year Ended June 30, 2012.....	22
Statement of Cash Flows – Internal Service Fund – For the Fiscal Year Ended June 30, 2012	23
Statement of Fiduciary Net Assets – Fiduciary Funds – June 30, 2012.....	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund – For the Fiscal Year Ended June 30, 2012	25
Notes to the Basic Financial Statements	26
Federal Awards Receipt and Expenditure Schedule for the Year Ended June 30, 2012.....	52
Notes to the Federal Awards Receipt and Expenditure Schedule – June 30, 2012.....	53
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
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	57
Schedule of Findings and Questioned Costs – June 30, 2012.....	59
Schedule of Prior Audit Findings and Questioned Costs – June 30, 2012.....	65
Corrective Action Plan – June 30, 2012.....	67

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Youngstown City School District, Mahoning County, Ohio (the "District"), as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

July 23, 2013

.....T\]g'dU[Y]bhYb]cbU`m`YZhV'Ub_.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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, 2012. 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 2012 fiscal year are as follows:

- Net assets decreased in fiscal year 2012 due mainly to a reduction in grant monies resulting from the completion of the ARRA and education jobs grants. This decrease was partially offset by a reduction in outstanding general obligation debt as well as a reduction in the compensated absences liability.
- Capital asset additions included building and improvements, various equipment purchases, the purchase of a special needs bus and the ongoing construction on the new Rayen Stadium.
- Outstanding general obligation bonded debt decreased during fiscal year 2012 due to annual debt payments.
- Program expenses increased due to the higher cost of support services resulting from an increase in classified staff as well as to increases in purchased services and materials and supplies.

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 and the bond retirement fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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 and the bond retirement fund.

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2012 compared to 2011:

Table 1
 Net Assets
 Governmental Activities

	2012	2011	Change
Assets			
Current and Other Assets	\$56,508,939	\$71,930,311	(\$15,421,372)
Capital Assets, Net	154,380,298	156,595,449	(2,215,151)
Total Assets	210,889,237	228,525,760	(17,636,523)
Liabilities			
Current Liabilities	36,655,613	48,024,041	11,368,428
Long-Term Liabilities			
Due Within One Year	2,209,138	1,964,936	(244,202)
Due in More Than One Year	39,919,363	42,667,443	2,748,080
Total Liabilities	78,784,114	92,656,420	13,872,306
Net Assets			
Invested in Capital Assets, Net of Related Debt	120,041,909	121,222,546	(1,180,637)
Restricted for:			
Capital Projects	5,179,384	6,616,679	(1,437,295)
Debt Service	3,978,094	3,861,669	116,425
Other Purposes	7,216,099	12,527,568	(5,311,469)
Unrestricted (Deficit)	(4,310,363)	(8,359,122)	4,048,759
Total Net Assets	\$132,105,123	\$135,869,340	(\$3,764,217)

Current assets decreased mainly due to a decrease in cash and cash equivalents and intergovernmental receivables. The decrease in cash and cash equivalents was due to the School District repaying \$11,000,000 in excess grant monies received in prior years to the Ohio Schools Facilities Commission (OSFC). The decrease in intergovernmental receivables was due to the completion of the ARRA and education jobs grants. The decrease in capital assets was due to an additional year of depreciation. This decrease was partially offset by current year additions to buildings and improvements, the purchase of a special needs bus, various equipment additions and construction on the Rayen Stadium.

Total liabilities decreased during fiscal year 2012 which can be attributed to the repayment of \$11,000,000 to the OSFC for excess grant monies received in prior years. The decrease in total liabilities can also be attributed to a reduction in the compensated absences liability and to annual payments on the School District's general obligation bonds.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets from fiscal year 2012 to 2011.

Table 2
 Change in Net Assets
 Governmental Activities

	2012	2011	Change
Revenues			
Program Revenues			
Charges for Services	\$1,431,653	\$1,670,727	(\$239,074)
Operating Grants and Contributions	20,381,573	34,425,016	(14,043,443)
Capital Grants and Contributions	945,135	414,933	530,202
<i>Total Program Revenues</i>	<u>22,758,361</u>	<u>36,510,676</u>	<u>(13,752,315)</u>
General Revenues			
Property Taxes	22,010,363	21,148,432	861,931
Grants and Entitlements	85,834,292	84,525,885	1,308,407
Investment Earnings	48,612	92,504	(43,892)
Miscellaneous	439,181	744,062	(304,881)
<i>Total General Revenues</i>	<u>108,332,448</u>	<u>106,510,883</u>	<u>1,821,565</u>
<i>Total Revenues</i>	<u>\$131,090,809</u>	<u>\$143,021,559</u>	<u>(\$11,930,750)</u>

(continued)

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Change in Net Assets (continued)
Governmental Activities

	2012	2011	Change
Program Expenses			
Instruction:			
Regular	\$62,536,337	\$61,461,836	(\$1,074,501)
Special	15,085,053	15,667,096	582,043
Vocational	2,676,606	3,219,051	542,445
Adult/Continuing	744,914	330,816	(414,098)
Student Intervention Services	634,325	1,913,992	1,279,667
Support Services:			
Pupil	6,436,086	6,240,351	(195,735)
Instructional Staff	10,656,711	9,820,904	(835,807)
Board of Education	473,079	502,420	29,341
Administration	7,141,076	6,691,503	(449,573)
Fiscal	1,470,316	1,819,997	349,681
Business	775,245	746,879	(28,366)
Operation and Maintenance of Plant	10,894,266	11,642,937	748,671
Pupil Transportation	6,140,511	5,946,743	(193,768)
Central	1,381,888	977,922	(403,966)
Operation of Non-Instructional Services	2,273,619	1,708,035	(565,584)
Food Service Operation	3,244,078	3,321,341	77,263
Extracurricular Activities	1,029,595	845,370	(184,225)
Interest and Fiscal Charges	1,261,321	1,275,538	14,217
<i>Total Program Expenses</i>	<u>134,855,026</u>	<u>134,132,731</u>	<u>(722,295)</u>
Special Item			
Repayment of excess OSFC monies	<u>0</u>	<u>(11,000,000)</u>	<u>11,000,000</u>
<i>Increase in Net Assets</i>	(3,764,217)	(2,111,172)	(1,653,045)
Net Assets Beginning of Year	<u>135,869,340</u>	<u>137,980,512</u>	<u>(2,111,172)</u>
Net Assets End of Year	<u><u>\$132,105,123</u></u>	<u><u>\$135,869,340</u></u>	<u><u>(\$3,764,217)</u></u>

Governmental Activities

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

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Program expenses increased due to the higher cost of support services resulting from an increase in classified staff as well as to increases in purchased services and materials and supplies expenses. This increase was partially offset by a reduction in instructional expenses resulting from certified staff reductions.

During fiscal year 2012 the primary sources of revenue for governmental activities were derived from property taxes and grants and entitlements. Real estate property is revalued every six years. The Board of Education's policy to disallow 100 percent abatements has resulted in minor growth in real estate valuation. House Bill 920, enacted in 1976, does not allow real property tax revenue to increase because of inflationary growth in the value of real property. Increases in valuation of carry-over property prompt corresponding annual reductions in the "effective millage," the tax rates applied to real property. New construction in the School District is not subject to the reduction factors of HB920. These increases, though, are usually offset by decreases in valuation caused by the economic condition of the area. These conditions have resulted in business closings, property abandonment, demolitions, and valuation appeals from existing property owners seeking to reduce their taxes usually by claiming market value decreases resulting from area economic forces.

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

<u>Property Growth - Last Ten Years</u>		
<u>Calendar Year</u>	<u>Total Valuation</u>	<u>Growth Rate</u>
2012	\$506,633,460	(12.28) %
2011	577,526,800	(3.72)
2010	599,827,690	(3.19)
2009	619,587,080	(2.94)
2008	638,379,642	(4.14)
2007	665,968,624	2.68
2006	648,611,187	(1.04)
2005	655,454,960	(2.19)
2004	670,122,208	3.50
2003	647,474,020	(0.10)
2002	648,128,280	

The average rate of growth over the last 10 years is (2.34) percent.

Because of the low per pupil valuation, the School District is highly dependent on State funding to maintain financial stability.

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

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program Expenses				
Instruction:				
Regular	\$62,536,337	(\$59,168,075)	\$61,461,836	(\$49,227,261)
Special	15,085,053	(12,160,353)	15,667,096	(10,362,669)
Vocational	2,676,606	(1,942,812)	3,219,051	(1,923,946)
Adult/Continuing	744,914	170,549	330,816	193,576
Student Intervention Services	634,325	(488,359)	1,913,992	(1,427,392)
Support Services:				
Pupil	6,436,086	(4,245,010)	6,240,351	(3,261,423)
Instructional Staff	10,656,711	(6,368,656)	9,820,904	(4,488,871)
Board of Education	473,079	(473,079)	502,420	(502,420)
Administration	7,141,076	(6,461,079)	6,691,503	(5,553,710)
Fiscal	1,470,316	(1,408,287)	1,819,997	(1,343,051)
Business	775,245	(775,245)	746,879	(746,879)
Operation and Maintenance of Plant	10,894,266	(10,216,255)	11,642,937	(11,099,261)
Pupil Transportation	6,140,511	(5,484,995)	5,946,743	(4,985,453)
Central	1,381,888	(1,351,288)	977,922	(936,625)
Operation of Non-Instructional Services	2,273,619	(229,170)	1,708,035	(104)
Food Service Operation	3,244,078	235,824	3,321,341	111,488
Extracurricular Activities	1,029,595	(469,054)	845,370	(792,516)
Interest and Fiscal Charges	1,261,321	(1,261,321)	1,275,538	(1,275,538)
<i>Total</i>	<u>\$134,855,026</u>	<u>(\$112,096,665)</u>	<u>\$134,132,731</u>	<u>(\$97,622,055)</u>

The School District's Funds

Information about the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due to higher intergovernmental revenues as a result of the School District receiving more foundation monies than in the prior fiscal year. The increase in the general fund balance can also be attributed to higher property taxes resulting from a recovering economy. The bond retirement fund had an increase in fund balance due to an increase in property taxes and homestead and rollback intergovernmental revenues as a result of more delinquent tax collections and higher collections on commercial property from more local industry.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

General Fund Revenues and Expenditures
(Modified Accrual)

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues			
Property Taxes	\$20,073,384	\$19,549,832	\$523,552
Intergovernmental	85,736,419	84,105,254	1,631,165
Interest	47,778	74,949	(27,171)
Other Revenues	804,641	828,887	(24,246)
<i>Total</i>	<u><u>\$106,662,222</u></u>	<u><u>\$104,558,922</u></u>	<u><u>\$2,103,300</u></u>
Expenditures			
Instruction	\$70,179,284	\$63,233,261	(\$6,946,023)
Support Services	33,190,026	32,093,788	(1,096,238)
Operation of Non-Instructional Services	1,292	9,430	8,138
Extracurricular Activities	282,226	283,214	988
Capital Outlay	0	20,831	20,831
Debt Service	28,103	48,933	20,830
<i>Total</i>	<u><u>\$103,680,931</u></u>	<u><u>\$95,689,457</u></u>	<u><u>(\$7,991,474)</u></u>

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District amended its general fund budget numerous times.

For the general fund, the final budget basis revenue was higher than the original budget estimate. The change was attributed mainly to increases in estimates for property taxes and intergovernmental revenue.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in instructional activities and support services due to higher estimated expenditures.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Capital Assets and Debt Administration

Capital Assets

The following table shows fiscal 2012 balances compared to 2011.

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

	2012	2011	Change
Land	\$1,002,781	\$1,002,781	\$0
Construction in Progress	1,846,415	0	1,846,415
Buildings and Improvements	148,831,972	152,670,857	(3,838,885)
Furniture and Equipment	1,076,730	1,192,548	(115,818)
Vehicles	1,622,400	1,729,263	(106,863)
<i>Total Capital Assets</i>	<u>\$154,380,298</u>	<u>\$156,595,449</u>	<u>(\$2,215,151)</u>

Capital assets decreased during fiscal year 2012 due to an additional year of depreciation. This decrease was partially offset by current year additions to buildings and improvements, equipment and bus purchases and construction on the new Rayen Stadium. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Debt

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

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

	2012	2011	Change
Classroom Facilities Bonds	\$28,117,932	\$29,371,800	(\$1,253,868)
Capital Leases	5,050,000	5,050,000	0
Claims	264,336	277,782	(13,446)
Compensated Absences	8,696,233	9,932,797	(1,236,564)
Total	<u>\$42,128,501</u>	<u>\$44,632,379</u>	<u>(\$2,503,878)</u>

The classroom facilities bonds were issued in March 2005 for the construction of new schools. The bonds will be paid using tax revenue from the debt service fund. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2027. For additional information on long-term obligations see Note 16 to the basic financial statements.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Challenges and Opportunities

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

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

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

Youngstown City School District has committed itself to financial reporting excellence for many years. The School District received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting from fiscal year 2000 through fiscal year 2005. The School District did not participate in this program for fiscal years 2006 through 2012. The School District chose not to prepare a Comprehensive Annual Financial Report as a cost saving measure.

Contacting the School District's Financial Management Personnel

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

Youngstown City School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$24,916,922
Cash and Cash Equivalents With Fiscal Agents	2,529,289
Accounts Receivable	1,614
Intergovernmental Receivable	2,360,829
Prepaid Items	29,604
Inventory Held for Resale	52,592
Materials and Supplies Inventory	308,173
Property Taxes Receivable	25,990,671
Deferred Charges	319,245
Nondepreciable Capital Assets	2,849,196
Depreciable Capital Assets, net	<u>151,531,102</u>
<i>Total Assets</i>	<u>210,889,237</u>
Liabilities	
Accounts Payable	708,209
Contracts Payable	6,196
Accrued Wages and Benefits	6,406,321
Intergovernmental Payable	2,305,928
Matured Compensated Absences Payable	893,054
Retainage Payable	122,634
Deferred Revenue	24,302,432
Accrued Interest Payable	193,039
Claims Payable	1,717,800
Long-Term Liabilities:	
Due Within One Year	2,209,138
Due In More Than One Year	<u>39,919,363</u>
<i>Total Liabilities</i>	<u>78,784,114</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	120,041,909
Restricted for:	
Capital Projects	5,179,384
Debt Service	3,978,094
Other Purposes	7,216,099
Unrestricted (Deficit)	<u>(4,310,363)</u>
<i>Total Net Assets</i>	<u><u>\$132,105,123</u></u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction:					
Regular	\$62,536,337	\$401,997	\$2,551,332	\$414,933	(\$59,168,075)
Special	15,085,053	79,848	2,844,852	0	(12,160,353)
Vocational	2,676,606	340,875	392,919	0	(1,942,812)
Adult/Continuing	744,914	244,889	670,574	0	170,549
Student Intervention Services	634,325	3,087	142,879	0	(488,359)
Support Services:					
Pupil	6,436,086	56,336	2,134,740	0	(4,245,010)
Instructional Staff	10,656,711	0	4,288,055	0	(6,368,656)
Board of Education	473,079	0	0	0	(473,079)
Administration	7,141,076	0	679,997	0	(6,461,079)
Fiscal	1,470,316	0	62,029	0	(1,408,287)
Business	775,245	0	0	0	(775,245)
Operation and Maintenance of Plant	10,894,266	113,485	564,526	0	(10,216,255)
Pupil Transportation	6,140,511	0	655,516	0	(5,484,995)
Central	1,381,888	0	30,600	0	(1,351,288)
Operation of Non-Instructional Services	2,273,619	0	2,044,449	0	(229,170)
Food Service Operation	3,244,078	160,797	3,319,105	0	235,824
Extracurricular Activities	1,029,595	30,339	0	530,202	(469,054)
Interest and Fiscal Charges	1,261,321	0	0	0	(1,261,321)
<i>Total Governmental Activities</i>	<u>\$134,855,026</u>	<u>\$1,431,653</u>	<u>\$20,381,573</u>	<u>\$945,135</u>	<u>(112,096,665)</u>
General Revenues					
Property Taxes Levied for:					
					20,183,236
					1,627,119
					200,008
Grants and Entitlements not Restricted to Specific Programs:					
					85,528,436
					305,856
Investment Earnings					48,612
Miscellaneous					439,181
<i>Total General Revenues</i>					<u>108,332,448</u>
Change in Net Assets					(3,764,217)
<i>Net Assets Beginning of Year</i>					<u>135,869,340</u>
<i>Net Assets End of Year</i>					<u>\$132,105,123</u>

See accompanying notes to the basic financial statements

Youngstown City School District

Balance Sheet

Governmental Funds

June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$9,252,611	\$1,350,879	\$10,541,567	\$21,145,057
Cash and Cash Equivalents With Fiscal Agents	0	0	2,529,289	2,529,289
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	139,539	0	0	139,539
Property Taxes Receivable	23,750,566	2,011,936	228,169	25,990,671
Accounts Receivable	1,614	0	0	1,614
Interfund Receivable	705,177	3,337,500	2,011,081	6,053,758
Intergovernmental Receivable	1,366	0	2,359,463	2,360,829
Prepaid Items	29,604	0	0	29,604
Materials and Supplies Inventory	272,813	0	35,360	308,173
Inventory Held for Resale	0	0	52,592	52,592
<i>Total Assets</i>	<u>\$34,153,290</u>	<u>\$6,700,315</u>	<u>\$17,757,521</u>	<u>\$58,611,126</u>
Liabilities				
Accounts Payable	\$212,403	\$0	\$387,406	\$599,809
Contracts Payable	6,196	0	0	6,196
Accrued Wages and Benefits	5,380,872	0	1,025,120	6,405,992
Interfund Payable	1,322,500	0	4,731,258	6,053,758
Intergovernmental Payable	1,937,138	0	367,810	2,304,948
Matured Compensated Absences Payable	670,159	0	222,895	893,054
Accrued Interest Payable	11,572	0	80,639	92,211
Retainage Payable	0	0	122,634	122,634
Deferred Revenue	23,750,566	2,011,936	1,005,280	26,767,782
<i>Total Liabilities</i>	<u>33,291,406</u>	<u>2,011,936</u>	<u>7,943,042</u>	<u>43,246,384</u>
Fund Balances				
Nonspendable	441,956	0	35,360	477,316
Restricted	0	4,688,379	12,163,156	16,851,535
Committed	127,724	0	0	127,724
Assigned	292,204	0	0	292,204
Unassigned (Deficit)	0	0	(2,384,037)	(2,384,037)
<i>Total Fund Balances</i>	<u>861,884</u>	<u>4,688,379</u>	<u>9,814,479</u>	<u>15,364,742</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$34,153,290</u>	<u>\$6,700,315</u>	<u>\$17,757,521</u>	<u>\$58,611,126</u>

See accompanying notes to the basic financial statements

Youngstown City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances	\$15,364,742
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	154,380,298
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	1,688,239
Grants	777,111
Total	2,465,350
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,804,817
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(100,828)
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.	319,245
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Classroom Facilities Bonds	(28,117,932)
Capital Lease	(5,050,000)
Claims Payable	(264,336)
Compensated Absences	(8,696,233)
Total	(42,128,501)
<i>Net Assets of Governmental Activities</i>	\$132,105,123

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$20,073,384	\$1,601,213	\$199,977	\$21,874,574
Intergovernmental	85,736,419	305,856	26,396,795	112,439,070
Interest	47,778	0	834	48,612
Tuition and Fees	498,261	0	570,035	1,068,296
Extracurricular Activities	56,336	0	32,223	88,559
Contributions and Donations	24,012	0	688,050	712,062
Charges for Services	0	0	161,313	161,313
Rentals	113,485	0	0	113,485
Miscellaneous	112,547	0	321,634	434,181
<i>Total Revenues</i>	<u>106,662,222</u>	<u>1,907,069</u>	<u>28,370,861</u>	<u>136,940,152</u>
Expenditures				
Current:				
Instruction:				
Regular	56,459,073	0	4,580,863	61,039,936
Special	11,359,542	0	3,797,504	15,157,046
Vocational	1,900,164	0	733,570	2,633,734
Adult/Continuing	0	0	735,511	735,511
Student Intervention Services	460,505	0	241,049	701,554
Support Services:				
Pupil	3,689,280	0	2,638,691	6,327,971
Instructional Staff	4,687,010	0	5,640,731	10,327,741
Board of Education	471,932	0	0	471,932
Administration	5,695,784	0	1,276,359	6,972,143
Fiscal	1,355,356	44,550	105,563	1,505,469
Business	767,392	0	3,248	770,640
Operation and Maintenance of Plant	10,106,448	0	674,839	10,781,287
Pupil Transportation	5,076,996	0	983,209	6,060,205
Central	1,339,828	0	38,691	1,378,519
Operation of Non-Instructional Services	1,292	0	2,175,627	2,176,919
Operation of Food Services	0	0	3,235,589	3,235,589
Extracurricular Activities	282,226	0	108,671	390,897
Capital Outlay	0	0	2,613,066	2,613,066
Debt Service:				
Principal Retirement	0	1,215,000	0	1,215,000
Interest and Fiscal Charges	28,103	541,358	714,613	1,284,074
<i>Total Expenditures</i>	<u>103,680,931</u>	<u>1,800,908</u>	<u>30,297,394</u>	<u>135,779,233</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,981,291</u>	<u>106,161</u>	<u>(1,926,533)</u>	<u>1,160,919</u>
Other Financing Sources (Uses)				
Transfers In	0	0	1,412,382	1,412,382
Transfers Out	(33,781)	0	(1,378,601)	(1,412,382)
<i>Total Other Financing Sources (Uses)</i>	<u>(33,781)</u>	<u>0</u>	<u>33,781</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	2,947,510	106,161	(1,892,752)	1,160,919
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(2,085,626)</u>	<u>4,582,218</u>	<u>11,707,231</u>	<u>14,203,823</u>
<i>Fund Balances End of Year</i>	<u>\$861,884</u>	<u>\$4,688,379</u>	<u>\$9,814,479</u>	<u>\$15,364,742</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, 2012*

Net Change in Fund Balances - Total Governmental Funds \$1,160,919

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	2,597,606
Depreciation	(4,812,757)

Total (2,215,151)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	135,789
Grants	(6,039,504)

Total (5,903,715)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets. 1,215,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Claims Payable	13,446
Compensated Absences	1,236,564

Total 1,250,010

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. 705,967

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:

Accrued Interest	3,037
Amortization of Issuance Costs	(19,152)
Bond Premium Amortization	38,868

Total 22,753

Change in Net Assets of Governmental Activities (\$3,764,217)

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
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$19,867,394	\$20,072,784	\$20,073,384	\$600
Intergovernmental	86,280,212	87,152,328	86,151,352	(1,000,976)
Interest	45,167	45,634	47,778	2,144
Tuition and Fees	481,729	469,145	469,145	0
Contributions and Donations	3,959	4,000	4,000	0
Rentals	112,324	113,485	113,485	0
Miscellaneous	81,326	108,812	108,812	0
<i>Total Revenues</i>	<u>106,872,111</u>	<u>107,966,188</u>	<u>106,967,956</u>	<u>(998,232)</u>
Expenditures				
Current:				
Instruction:				
Regular	55,548,145	56,663,317	56,663,317	0
Special	11,110,007	11,340,091	11,340,091	0
Vocational	2,155,807	2,200,452	2,200,452	0
Student Intervention Services	479,393	489,321	489,321	0
Support Services:				
Pupil	3,555,502	3,629,136	3,629,136	0
Instructional Staff	4,666,003	4,762,633	4,762,633	0
Board of Education	466,254	475,910	475,910	0
Administration	5,574,663	5,690,114	5,690,114	0
Fiscal	1,782,045	1,849,220	1,832,721	16,499
Business	783,971	800,206	800,206	0
Operation and Maintenance of Plant	10,797,939	11,021,561	11,021,561	0
Pupil Transportation	5,121,756	5,230,305	5,230,305	0
Central	1,331,349	1,358,922	1,358,922	0
Operation of Non-Instructional Services	3,940	4,022	4,022	0
Extracurricular Activities	273,973	279,645	279,645	0
Debt Service:				
Principal	1,322,500	1,322,500	1,322,500	0
Interest	39,675	39,675	39,675	0
<i>Total Expenditures</i>	<u>105,012,922</u>	<u>107,157,030</u>	<u>107,140,531</u>	<u>16,499</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,859,189</u>	<u>809,158</u>	<u>(172,575)</u>	<u>(981,733)</u>
Other Financing Uses				
Advances Out	(663,365)	(663,365)	(663,365)	0
Transfers Out	(33,781)	(33,781)	(33,781)	0
<i>Total Other Financing Uses</i>	<u>(697,146)</u>	<u>(697,146)</u>	<u>(697,146)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,162,043	112,012	(869,721)	(981,733)
<i>Fund Balance Beginning of Year</i>	8,751,708	8,751,708	8,751,708	0
Prior Year Encumbrances Appropriated	147,280	147,280	147,280	0
<i>Fund Balance End of Year</i>	<u>\$10,061,031</u>	<u>\$9,011,000</u>	<u>\$8,029,267</u>	<u>(\$981,733)</u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2012

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,632,326</u>
Liabilities	
Accounts Payable	108,400
Accrued Wages and Benefits	329
Intergovernmental Payable	980
Claims Payable	<u>1,717,800</u>
<i>Total Liabilities</i>	<u>1,827,509</u>
Net Assets	
Unrestricted	<u>\$1,804,817</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, 2012*

	Insurance
Operating Revenues	
Charges for Services	\$14,552,574
Miscellaneous	5,000
<i>Total Operating Revenues</i>	14,557,574
Operating Expenses	
Salaries	37,390
Fringe Benefits	314,499
Purchased Services	582,474
Claims	12,917,244
<i>Total Operating Expenses</i>	13,851,607
<i>Change in Net Assets</i>	705,967
<i>Net Assets Beginning of Year</i>	1,098,850
<i>Net Assets End of Year</i>	\$1,804,817

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, 2012

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$14,552,574
Other Cash Receipts	5,000
Cash Payments to Employees for Services and Benefits	(356,404)
Cash Payments for Goods and Services	(611,174)
Cash Payments for Claims	(13,311,244)
<i>Net Increase in Cash and Cash Equivalents</i>	278,752
<i>Cash and Cash Equivalents Beginning of Year</i>	3,353,574
<i>Cash and Cash Equivalents End of Year</i>	\$3,632,326
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$705,967
Adjustments:	
Decrease in Liabilities:	
Accounts Payable	(28,700)
Accrued Wages and Benefits	(1,946)
Intergovernmental Payable	(2,569)
Claims Payable	(394,000)
Total Adjustments	(427,215)
<i>Net Cash Provided by Operating Activities</i>	\$278,752

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$116,406	\$264,977
Liabilities		
Undistributed Monies	0	\$73,580
Due to Students	0	191,397
<i>Total Liabilities</i>	0	\$264,977
Net Assets		
Held in Trust for Scholarships	\$116,406	

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, 2012

	Scholarship
Additions	
Contributions and Donations	\$55,967
Deductions	
Scholarships Awarded	179,525
<i>Change in Net Assets</i>	(123,558)
<i>Net Assets Beginning of Year</i>	239,964
<i>Net Assets End of Year</i>	\$116,406

See accompanying notes to the basic financial statements

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 436 non-certified employees, 587 certified full-time teaching personnel and 39 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 2012 fiscal year was 5,902. The School District operates seven elementary schools, four middle/junior high schools, two high schools, one vocational school, one early college high school, one alternative school and one community school.

Reporting Entity

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

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

The following activities are included within the reporting entity:

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

The School District participates in two jointly governed organizations, the Access Council of Governments and the Tech Prep Consortium. These organizations are discussed in Note 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

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

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

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

Measurement Focus

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

Budgetary Data

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

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

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

Cash and Cash Equivalents

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

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

During fiscal year 2012, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2012.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012 amounted to \$47,778, of which \$26,327 was assigned from other School District funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

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

Restricted Assets

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

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back trending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Description	Estimated Lives
Buildings and Improvements	20 - 40 years
Furniture and Equipment	5 - 10 years
Vehicles	10 years

Interfund Balances

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

Compensated Absences

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

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

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

For governmental funds, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences 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, 2012

Bond Issuance Costs

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

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

Bond Premium

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

Net Assets

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

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

Fund Balance

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

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

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

Extraordinary and Special Items

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepays	\$29,604	\$0	\$0	\$29,604
Inventory	272,813	0	35,360	308,173
Unclaimed Monies	139,539	0	0	139,539
<i>Total Nonspendable</i>	441,956	0	35,360	477,316
<i>Restricted for</i>				
Food Service Operations	0	0	1,461,128	1,461,128
Adult Education	0	0	650,703	650,703
Student Enrichment	0	0	234,156	234,156
Classroom Facilities Maintenance	0	0	4,232,326	4,232,326
Athletics	0	0	43,704	43,704
Non-Public Schools	0	0	386,721	386,721
Educational Management				
Information Systems	0	0	159	159
Preschool Education	0	0	43,232	43,232
Vocational/Alternative Schools	0	0	45,318	45,318
Leadership Programs	0	0	18,814	18,814
Instructional Services	0	0	36,299	36,299
Technology Programs	0	0	2,477	2,477
Limited English Proficiency	0	0	26,335	26,335
Special Education	0	0	175,777	175,777
Education Reform	0	0	126,858	126,858
Debt Service Payments	0	4,688,379	0	4,688,379
Capital Improvements	0	0	4,679,149	4,679,149
<i>Total Restricted</i>	0	4,688,379	12,163,156	16,851,535
<i>Committed to</i>				
Other Purposes	127,724	0	0	127,724
<i>Assigned to</i>				
Other Purposes	292,204	0	0	292,204
<i>Unassigned (Deficit)</i>	0	0	(2,384,037)	(2,384,037)
<i>Total Fund Balances</i>	\$861,884	\$4,688,379	\$9,814,479	\$15,364,742

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 4 – Fund Deficits

Fund balances at June 30, 2012, included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
<i>Special Revenue Fund:</i>	
Title VI-B	\$88,945
<i>Capital Projects Funds:</i>	
Building	2,095,639
Rayen Stadium	199,453

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

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. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support fund are classified to general fund for GAAP Reporting.

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balance	
GAAP Basis	\$2,947,510
Revenue Accruals	384,203
Expenditure Accruals	(2,224,208)
Excess of revenues and other financing sources over (under) expenditures and other financing uses:	
Public School Support	5,091
Advances Out	(663,365)
Encumbrances	(1,318,952)
Budget Basis	(\$869,721)

Note 6 - Deposits and Investments

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

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

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

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

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;

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

Investments

As of June 30, 2012, the School District had STAR Ohio as the only investment with an amount of \$17,417,130 and a maturity of 52.5 days.

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

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

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2013 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 and public utility property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Due to the timing of tax bills sent by the County, there was no money available as an advance to the School District at June 30, 2012 or June 30, 2011.

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.

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$530,133,790	91.79%	\$456,884,500	90.18%
Public Utility	47,393,010	8.21	49,748,960	9.82
Total Assessed Value	\$577,526,800	100.00%	\$506,633,460	100.00%
Tax rate per \$1,000 of assessed valuation	\$60.50		\$62.50	

Note 8 - Receivables

Receivables at June 30, 2012, consisted of taxes, accounts (student fees and tuition), and intergovernmental. Except for property taxes, receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables except for property taxes are expected to be collected within one year. Property taxes include some portion of delinquencies that will not be collected within one year.

	Taxes Receivable	Estimated Uncollectible	Net Receivable
Property Taxes	\$42,817,393	\$16,826,722	\$25,990,671

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Title I Grants	\$934,409
Food Service Subsidies	363,970
Adult Basic Education Grants	353,907
21st Century Grants	286,386
Title VI-B Grants	194,989
Vocational Education Grants	91,708
Alternative Schools Grants	55,530
Early Childhood Education Grants	40,000
Limited English Proficiency Grants	30,573
Preschool Grants	7,991
Tuition Reimbursement	1,366
Total	<u><u>\$2,360,829</u></u>

Note 9 - Contingencies

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,002,781	\$0	\$0	\$1,002,781
Construction in Progress	0	1,846,415	0	1,846,415
<i>Total Nondepreciable Capital Assets</i>	1,002,781	1,846,415	0	2,849,196
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	183,467,346	450,870	0	183,918,216
Furniture and Equipment	23,366,830	140,121	0	23,506,951
Vehicles	3,144,319	160,200	0	3,304,519
<i>Total Capital Assets being Depreciated</i>	209,978,495	751,191	0	210,729,686
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(30,796,489)	(4,289,755)	0	(35,086,244)
Furniture and Equipment	(22,174,282)	(255,939)	0	(22,430,221)
Vehicles	(1,415,056)	(267,063)	0	(1,682,119)
<i>Total Accumulated Depreciation</i>	(54,385,827)	(4,812,757)*	0	(59,198,584)
<i>Total Assets being Depreciated, Net Governmental Activities</i>	155,592,668	(4,061,566)	0	151,531,102
<i>Capital Assets, Net</i>	\$156,595,449	(\$2,215,151)	\$0	\$154,380,298

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$2,190,426
Special	454,749
Vocational	44,162
Support Services:	
Pupil	210,387
Instructional Staff	314,226
Board of Education	178
Administration	370,968
Fiscal	572
Business	14,882
Operation and Maintenance of Plant	294,772
Pupil Transportation	290,703
Central	10,658
Operation of Non-Instructional Services	136,211
Food Service Operation	8,030
Extracurricular Activities	471,833
Total Depreciation Expense	\$4,812,757

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 11 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, the School District contracted with the L. Calvin Jones and Company for catastrophic property insurance. The catastrophic property policy has a current replacement value in the amount of \$283,197,437 and \$20,000,000 per occurrence limit with a \$75,000 deductible.

Fleet insurance is provided by Ohio Casualty Insurance Company with a \$1,000 comprehensive and a \$1,000 collision deductible for buses and a \$250 comprehensive and a \$500 collision deductible for maintenance vehicles.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

\$50,000 performance bonds are maintained for the board president, superintendent, and chief of operations; a \$250,000 bond is maintained for the treasurer. These bonds are maintained by L. Calvin Jones and Company.

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 2012, the School District paid the State Workers' Compensation System a minimum premium based on a rate of .005492 per \$100 of salaries.

The balance of claims payable at June 30, 2012 represents an estimate of the liability for unpaid claim costs provided by Workers' Compensation for the periods during which the School District has been retrospectively rated. The claims liability of \$264,336 at June 30, 2012, 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
2011	\$109,782	\$391,832	\$223,832	\$277,782
2012	277,782	291,394	304,840	264,336

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Employee Health Benefits

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

The claims liability of \$1,717,800 reported in the internal service fund at June 30, 2012 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 2011 and 2012 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	\$2,392,200	\$12,907,381	\$13,187,781	\$2,111,800
2012	2,111,800	12,917,244	13,311,244	1,717,800

Note 12 - Pension Plans

School Employee Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,873,571, \$1,689,066 and \$1,723,631, respectively. For fiscal year 2012, 96.85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$4,979,520 and \$103,397 for the fiscal year ended June 30, 2012, \$5,032,368 and \$95,378 for the fiscal year ended June 30, 2011, and \$4,956,110 and \$83,060 for the fiscal year ended June 30, 2010. For fiscal year 2012, 82.46 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$70,307 made by the School District and \$50,219 made by the plan members. In addition, member contributions of \$73,855 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 - Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage, 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 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 fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$212,633 in surcharge.

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

The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$81,139, \$204,519 and \$174,944, respectively. For fiscal year 2012, 96.85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District’s contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010, were \$110,644, \$108,695 and \$108,982, respectively. For fiscal year 2012, 96.85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$383,040, \$387,105 and \$381,239, respectively. For fiscal year 2012, 82.46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 14 - Employee Benefits

Compensated Absences

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 285 days for administrators, 300 days for certified employees and 275 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 fifty-five percent of accumulated sick leave up to 170 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.

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 - Interfund Transactions

Interfund Transfers

The general fund made a transfer of \$33,781 to the vocational education special revenue fund to help provide funding for fiscal year 2012. The adult education special revenue fund made a transfer of \$95,171 to the adult basic education fund to provide for program expenditures. The classroom facilities and school building assistance capital projects funds made transfers of \$1,000,000 and \$283,430, respectively, to the rayen stadium capital projects fund for construction of the new stadium.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Interfund Balances

Interfund Payable	Interfund Receivable		
	General	Classroom Facilities	Total
Vocational Education Enhancement	\$200	\$0	\$200
Alternative Schools	37,381	0	37,381
Adult Basic Education	211,210	0	211,210
Title VI-B	11,937	0	11,937
Vocational Education	30,715	0	30,715
Limited English Proficiency	28,385	0	28,385
Title I	268,246	0	268,246
Miscellaneous Federal Grants	117,103	0	117,103
Rayen Stadium	0	2,011,081	2,011,081
<i>Total All Funds</i>	<u>\$705,177</u>	<u>\$2,011,081</u>	<u>\$2,716,258</u>

Interfund receivables/payables of \$663,365 between the general fund and the various special revenue funds are due to the timing of the receipt of grant monies. The general fund provides temporary funding of the programs until the grant dollars are received. The interfund/payable of \$2,011,081 between the classroom facilities capital projects fund and the rayen stadium capital projects fund was made to provide temporary funding until the receipt of donations for the stadium project.

Interfund receivables and payables of \$41,812 were due to transportation costs charged to the general fund that are to be reimbursed by the various special revenue programs.

An interfund receivable/payable in the amount of \$1,322,500 was reported at June 30 between the debt service fund and the general fund. The interfund transaction between the debt service fund and the general fund is manuscript notes. The manuscript notes were issued by the School District on January 28, 2009 and purchased by the debt service fund as an investment. The manuscript notes will mature on December 1 of the years 2009 through 2012, and they bear a 1.50 percent annual interest rate.

An interfund receivable/payable in the amount of \$2,015,000 was reported at June 30 between the debt service fund and the building capital projects fund. The interfund transaction between the debt service fund and the building capital projects fund is manuscript bonds. The manuscript bonds were issued by the School District on April 27, 2011 and purchased by the debt service fund as an investment. The manuscript bonds will mature on August 1 of the years 2013 through 2017, and they bear a 3.40 percent annual interest rate.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Changes in manuscript debt of the School District during fiscal year 2012 were as follows:

	Outstanding June 30, 2011	Additions	Deletions	Outstanding June 30, 2012
Manuscript Notes:				
Tax Anticipation, Series 2009	\$2,645,000	\$0	\$1,322,500	\$1,322,500
Manuscript Bonds:				
Bus Acquisition, Series 2011	2,015,000	0	0	2,015,000
Total Manuscript Debt	\$4,660,000	\$0	\$1,322,500	\$3,337,500

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

Fiscal Year ending June 30	Manuscript Notes - Tax Anticipation		Manuscript Bonds - Bus Acquisition	
	Principal	Interest	Principal	Interest
2013	\$1,322,500	\$19,837	\$0	\$86,399
2014	0	0	377,000	68,510
2015	0	0	389,000	55,692
2016	0	0	403,000	42,466
2017	0	0	416,000	28,764
2018	0	0	430,000	14,620
	\$1,322,500	\$19,837	\$2,015,000	\$296,451

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts Due in One Year
<i>Classroom Facilities Bonds</i>					
Classroom Facilities Bonds Series 2005	\$28,685,000	\$0	\$1,215,000	\$27,470,000	\$1,250,000
Unamortized Premium	686,800	0	38,868	647,932	0
<i>Total Classroom Facilities Bonds</i>	29,371,800	0	1,253,868	28,117,932	1,250,000
Capital Lease Payable	5,050,000	0	0	5,050,000	0
Claims Payable	277,782	291,394	304,840	264,336	66,084
Compensated Absences	9,932,797	2,174,058	3,410,622	8,696,233	893,054
<i>Total General Long - Term Obligations</i>	\$44,632,379	\$2,465,452	\$4,969,330	\$42,128,501	\$2,209,138

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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the general fund, and the food service, adult education, auxiliary services, public preschool, alternative schools, adult basic education, title VI-B, vocational education, title I, preschool grants, reducing class size and miscellaneous federal grants special revenue funds.

The School District's overall debt margin was \$22,815,390 with an unvoted debt margin of \$506,633 at June 30, 2012. Principal and interest requirements to retire the classroom facilities bonds are as follows:

Fiscal Year Ended June 30,	Classroom Facilities Bonds	
	Principal	Interest
2013	\$1,250,000	\$1,188,058
2014	1,295,000	1,143,520
2015	1,340,000	1,097,407
2016	1,385,000	1,049,720
2017	1,435,000	998,218
2018-2022	8,110,000	4,007,482
2023-2027	10,295,000	1,761,931
2028	2,360,000	50,150
Total	\$27,470,000	\$11,296,486

Note 17 – Capital Lease

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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
2013	\$32,825
2014	32,825
2015	32,825
2016	32,825
2017	32,825
2018-2021	5,181,300
Total Minimum Lease Payments	5,345,425
Less: Amount Representing Interest	(295,425)
Present Value of Minimum Lease Payments	\$5,050,000

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

Year ending June 30,	Principal	Interest	Sinking Fund Payments	Total Lease Payment
2013	\$0	\$32,825	\$382,108	\$414,933
2014	0	32,825	382,108	414,933
2015	0	32,825	382,108	414,933
2016	0	32,825	382,104	414,929
2017	0	32,825	0	32,825
2018-2021	5,050,000	131,300	0	5,181,300
	\$5,050,000	\$295,425	\$1,528,428	\$6,873,853

Note 18 - Jointly Governed Organizations

Access Council of Governments

The Access Council of Governments (COG) is a computer network which provides data services to twenty-six school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge before any e-rate credits, which was \$40.25 for fiscal year 2012. Youngstown City School District paid \$82,990 to COG during fiscal year 2012. 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Tech Prep Consortium

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

Note 19 - 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 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.

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

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2011	\$0
Current Year Set-Aside Requirement	1,086,541
Offsets	(1,215,000)
Qualifying Disbursements	(607,419)
Total	(\$735,878)
Set-Aside Reserve Balance as of June 30, 2012 and Carried Forward to Future Fiscal Years	\$0

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 20 – Subsequent Events

On November 6, 2012, the School District renewed a 10.4 mill emergency levy for operations. Collection on this levy commenced January 1, 2013 and will be for four years.

In July of 2012, the School District refunded a portion of the 2005 Classroom Facilities Bonds for \$20,940,000 and \$2,645,000, respectively, to take advantage of lower interest rates. The refunded debt portions relate to the local share and the construction of the buildings.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education.</i>					
<i>Nutrition Cluster:</i>					
<i>Non-Cash Assistance (Food Distribution):</i>					
National School Lunch Program	10.555	-	\$ 157,305	-	\$ 157,305
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$ 947,146		\$ 947,146	
National School Lunch Program	10.555	2,113,540		2,113,540	
Total Nutrition Cluster		3,060,686	157,305	3,060,686	157,305
Fresh Fruit and Vegetable Program	10.582	21,852		21,852	
Total U.S. Department of Agriculture		3,082,538	157,305	3,082,538	157,305
<u>UNITED STATES DEPARTMENT OF DEFENSE</u>					
<i>Direct Program:</i>					
Junior Reserve Officer Training Corp	12.000	42,743		42,743	
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>					
<i>Direct Programs:</i>					
<i>Student Financial Aid Cluster:</i>					
Federal Pell Grant Program	84.063	439,360		439,360	
Federal Direct Student Loans	84.268	362,274		362,274	
<i>Subtotal - Student Financial Aid Cluster</i>		801,634		801,634	
<i>Passed Through Ohio Board of Regents:</i>					
Adult Education-Basic Grants to States	84.002	138,462		534,049	
<i>Passed Through Ohio Department of Education.</i>					
<i>Special Education Cluster:</i>					
Special Education_Grants to States (IDEA, Part B)	84.027	2,525,298		2,243,472	
ARRA - Special Education_Grants to States, Recovery Act	84.391	1,724,889		1,335,367	
Special Education_Preschool Grants	84.173	101,444		75,087	
ARRA - Special Education_Preschool Grants, Recovery Act	84.392	40,271		39,429	
<i>Subtotal - Special Education Cluster</i>		4,391,902		3,693,355	
<i>Title 1, Part A Cluster:</i>					
Title I Grants to Local Educational Agencies (Title 1, Part A of the ESEA)	84.010	7,840,511		6635,222	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	1,108,742		1,394,370	
<i>Subtotal - Title 1 Part A Cluster</i>		8,949,253		8,029,592	
<i>School Improvement Grants Cluster:</i>					
School Improvement Grants (Title 1, Part G of the ESEA)	84.377	-		88,760	
ARRA - School Improvement Grants, Recovery Act	84.388	2,762,465		2,902,984	
<i>Subtotal - School Improvement Grants Cluster</i>		2,762,465		2991,744	
<i>Passed Through Ohio Department of Education:</i>					
Career and Technical Education - Basic Grants to States	84.048	271,863		272,782	
Safe and Drug-Free Schools and Communities - State Grant	84.186	24,153		32,443	
<i>Homeless Assistance Cluster:</i>					
Education for Homeless Children and Youth	84.196	-		115,869	
ARRA - Education for Homeless Children and Youth	84.387	31,020		22,127	
<i>Subtotal - Homeless Assistance Cluster</i>		31,020		137,996	
Twenty-First Century Community Learning Centers	84.287	590,134		583,277	

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>UNITED STATES DEPARTMENT OF EDUCATION (Continued)</u>					
<i>Education Technology Cluster:</i>					
Education Technology State Grants (Title II-D)	84.318	54,016		41,195	
ARRA - Education Technology State Grants, Recovery Act	84.386	73,856		11,093	
<i>Subtotal - Education Technology Cluster</i>		127,872		52,288	
Reading First State Grant	84.357	7,290		22,491	
English Language Acquisition Grants (Title III)	84.365	61,603		82,473	
Improving Teacher Quality State Grants (Title II-A)	84.367	1,379,876		1,200,004	
Education Jobs Fund	84.410	1,484,278		1,831,263	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (Education Stabilization Fund)	84.395	142,186		138,489	
Total U.S. Department of Education		21,163,991		20,403,880	
Total Federal Awards Receipts and Expenditures		\$ 24,289,272	\$ 157,305	\$ 23,529,161	\$ 157,305

The accompanying notes to the Federal Awards Receipt and Expenditure Schedule are an integral part of this schedule

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at cost on a first-in, first-out basis. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D – MATCHING REQUIREMENTS

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

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfer:

<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>AMOUNT TRANSFERRED FROM 2012 TO 2013</u>
ABLE INSTRUCTIONAL	84.002	\$98,200
TITLE I	84.010	\$735,889
DELINQUENT, TITLE I-D	84.010	\$94,608
SCHOOL IMPROVEMENT SUB A, TITLE 1	84.010	\$284
SPECIAL EDUCATION, IDEA-PART B	84.027	\$386,161
SPECIAL EDUCATION, PRESCHOOL	84.173	\$12,789
MCKINNEY-VENTO HOMELESS ASSISTANCE	84.196	\$17,323
EDUCATION TECHNOLOGY, TITLE II-D	84.318	\$4,385
ENGLISH LANGUAGE ACQUISITION, TITLE III	84.365	\$5,059
IMPROVING TEACHER QUALITY, TITLE II-A	84.367	\$61,910



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Youngstown City School District, Mahoning County, (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 23, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated July 23, 2013.

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

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

Dave Yost
Auditor of State

July 23, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Youngstown City School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Youngstown City School District's major federal programs for the year ended June 30, 2012. The *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Youngstown City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2012-01 and 2012-03.

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, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-03 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-02 to be a significant deficiency.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated July 23, 2013.

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



Dave Yost
Auditor of State

July 23, 2013

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Nutritional Cluster (CFDA #10.553 & 10.555); Special Education Grants Cluster (CFDA #84.027, #84.391, #84.173 & #84.392); Student Financial Aid Cluster (CFDA #84.063 & #84.268); Improving Teacher Quality (CFDA #84.367); and School Improvement Grants Cluster (CFDA #84.377 & #84.388).
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 710,594 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Allowable Costs / Cost Principles

Finding Number	2012-01
CFDA Title and Number	School Improvement Grants Cluster CFDA #84.377 & #84.388
Federal Award Number / Year	2012
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND QUESTIONED COST

2 C.F.R. Part 225, Appendix B establishes principles and standards for determining allowable direct and indirect costs for Federal awards. This part is organized in to the following areas of allowable costs: State/Local-Wide Central Service Costs; State/Local Department or Agency Costs (Direct and Indirect); and State Public Assistance Agency Costs. Furthermore, the code provides an exhibit which includes an updated listing of selected items of cost contained in 2 C.F.R. Part 225 based on the changes contained in the *Federal Register* notice dated August 31, 2005 and states whether an expense category is an allowable or unallowable cost.

This exhibit includes, but is not limited to, communication costs, which states these are allowable costs to be charged to a federal grant program, providing the personnel charged to the grant actually worked on it.

During our review of charges to the School Improvement program, it was noted the District purchased video games with School Improvement grant funds in the amount of \$270, which are classified as entertainment costs and unallowable. In addition, the District was unable to provide time sheets for hours worked at Chaney High School on August 19, 2011, which were charged to the grant in the amount of \$402. As a result, the actual amount of errors totaled \$672 with a projected error amount of \$11,654. Our projection was based on a sample of the total population utilizing the ratio method.

Failure to comply with the guidance contained in 2 C.F.R. Part 225, Appendix B could hinder the allocation of future grant funding.

We recommend the District review the language depicted in 2 C.F.R. Part 225, Appendix B to ensure that only allowable costs are charged to their grant programs.

Official's Response:

The District is currently going through a reorganization of the requisition process and the account code structure. These changes should provide better controls which will prevent this from happening in the future. This would not have an effect on the fiscal year 2013 audit because the year is already over.

2. Activities Allowed or Unallowed

Finding Number	2012-02
CFDA Title and Number	Special Education Grants Cluster (CFDA #84.027, #84.391, #84.173 & #84.392); and Improving Teacher Quality (CFDA #84.367)
Federal Award Number / Year	2012
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

SIGNIFICANT DEFICIENCY

During our test of activities allowed or unallowed for the Improving Teacher Quality (ITQ) Grant (Fund 590), we noted four employees whose salaries were charged to Fund 590, but those employees were not included on the District's ITQ semi-annual certification list. In addition, per review of the District's ITQ semi-annual certifications, we noted there were a total of 18 employees who were incorrectly charged to Fund 590 during fiscal year 2012. The District charged 100% of these employees' salaries to Fund 590 for pay periods July 2, 2011 through March 17, 2012, which resulted in the District erroneously charging \$101,743 to the ITQ Grant. In March 2012, the Grants Manager alerted the Treasurer's Office of the error, and those employees' salaries were then charged to the General Fund for the remainder of the fiscal year. Furthermore, the Grants Manager made a reduction of expenditure on June 29, 2012 to back out the erroneous charges made to Fund 590.

Additionally, Ohio Department of Education (ODE) conducted a review of the District's Special Education Grant (Fund 516) during 2011-2012, and identified two employees paid from Fund 516 who were either not special education certified, or did not serve students with Individual Education Plans (IEPs) at least 50% of the time. As a result of the audit, the District's Special Education Director sent a memorandum to the Treasurer stating these teachers needed to be backed out of Fund 516 and charged to the General Fund. On the April 20, 2012 payroll report, we noted the District backed out the \$25,914 charged to Fund 516 and charged that amount to the General Fund.

Furthermore, per review of the semi-annual certifications for the Special Education - Preschool Grant, the Grants Manager identified two Educational Assistants and one teacher who were incorrectly being charged to Fund 587 from July 2011 through March 2012, which resulted in the District erroneously charging \$12,578 to the Special Education - Preschool Grant. In March 2012, the Grants Manager alerted the Treasurer's Office of the error, and those individuals were then charged to the General Fund for the remainder of the school year. In addition, the Grants Manager made a reduction of expenditure to correct the erroneous charges made to Fund 587.

Failure to ensure only employees listed on the semi-annual certification forms are charged to the respective grants could result in the District exceeding their allocation of grant funds, or questioned costs for unallowable expenditures.

**FINDING NUMBER – 2012-02
 (Continued)**

We recommend the Grant Supervisors provide the Grants Manager with a list of employees who are to be charged to their respective grants prior to the beginning of the school year. The Grants Manager should then provide this information to the Human Resources Department to use while creating salary notification forms. By providing this information to Human Resources, the salary notification forms can be updated to include the fund and function each employee should be charged to. Copies of the salary notices should then be given to the Treasurer's Office to ensure employees' salaries are properly charged to the correct fund and function. Additionally, the Grants Manager should continually monitor the employees being charged to each grant throughout the school year and alert the Treasurer's Office of any changes that arise during the year.

Official's Response:

The District is also looking into reorganizing its payroll and human resource processes. This should help eliminate these types of situations. Once again, this would not have an effect on the fiscal year 2013 audit.

3. Other

Finding Number	2012-03
CFDA Title and Number	Nutritional Cluster (CFDA #10.553 & 10.555); Special Education Grants Cluster (CFDA #84.027, #84.391, #84.173 & #84.392); Student Financial Aid Cluster (CFDA #84.063 & #84.268); Improving Teacher Quality (CFDA #84.367); and School Improvement Grants Cluster (CFDA #84.377 & #84.388)
Federal Award Number / Year	2012
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

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

**FINDING NUMBER – 2012-03
(Continued)**

The District filed its June 30, 2011 data collection form and reporting package on June 4, 2012.

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

Official's Response:

The District will be more proactive in communicating with the Auditor of State so that deadlines are met. The audit supervisor has agreed to provide us with a timeline so that we can stay on schedule during the audit. Once again, this will not have an effect on the fiscal year 2013 as the deadline has already passed.

This page intentionally left blank.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Expenditures plus encumbrances exceeded appropriations and prior year carryover encumbrances in the State Fiscal Stabilization Fund.	Yes	
2011-002	The District spent Improving Teacher Quality Grant monies on lease payments for copiers and security equipment that were not related to the program.	Yes	
2011-003	The disbursement calculations of Title IV grant and loan assistance earned by students who withdrew from the program, were not always calculated in accordance with the Federal Pell Grant Program or Federal Direct Student Loan requirements.	No	Not Corrected. This comment was repeated in the Management Letter.
2011-004	The District did not file their data collection form and reporting package within the time frame required by OMB Circular A-133 Section 320.	No	Not Corrected. See current year finding number 2012-03.

This page intentionally left blank.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-01	The district is currently going through a reorganization of the requisition process and the account code structure. These changes should provide better controls which will prevent this from happening in the future.	April 1, 2014	James Reinhard, Treasurer
2012-02	The district is also looking into reorganizing its payroll and human resource processes. This should help eliminate these types of situations.	January 1, 2014	James Reinhard, Treasurer
2012-03	The district will be more proactive in communicating with the Auditor of State so that deadlines are met. The audit supervisor has agreed to provide us with a timeline so that we can stay on schedule during the audit.	August 1, 2013	James Reinhard, Treasurer

This page intentionally left blank.



Dave Yost • Auditor of State

YOUNGSTOWN CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 20, 2013**