



Dave Yost • Auditor of State

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

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MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and No. 65, "items previously reported as Assets and Liabilities". We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

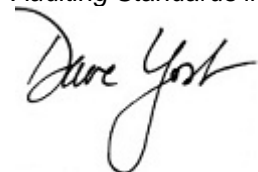
Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

July 31, 2014

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Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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, 2013. 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 2013 fiscal year are as follows:

- Net position decreased in fiscal year 2013 due mainly to a reduction in net capital assets resulting from annual depreciation outpacing current year additions. The decrease in net position was partially offset by an increase in property tax revenue due to higher property values and increased delinquency tax collections as well as to a reduction in the compensated absences liability resulting from staff reductions.
- Capital asset additions included building and improvements for the new Rayen Stadium which was completed in fiscal year 2013 and various equipment purchases.
- The School District refunded a portion of its general obligation bonds during fiscal year 2013. This refunding decreased the School District's remaining debt service interest payments by \$2,291,084.
- Program expenses decreased due to significant reductions in certified and classified staff.

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 Position 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 Position 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 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and deferred outflows of resources and liabilities* and *deferred inflows of resources* 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, 2013
Unaudited

These two statements report the School District's *net position* and changes in net position. This change in net position 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 Position 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 11. 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 Position 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 funds report on self-insurance programs for employee medical, prescription drug, dental and vision claims and workers' compensation. The proprietary funds use 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 Position and Changes in Fiduciary Net Position. 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, 2013
Unaudited

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for 2013 compared to 2012:

Table 1
Net Position
Governmental Activities

| | 2013 | 2012 | Change |
|---------------------------------------|---------------|---------------|---------------|
| Assets | | | |
| Current and Other Assets | \$56,428,441 | \$56,508,939 | (\$80,498) |
| Capital Assets, Net | 151,158,521 | 154,380,298 | (3,221,777) |
| Total Assets | 207,586,962 | 210,889,237 | (3,302,275) |
| Deferred Outflows of Resources | 1,557,494 | 0 | 1,557,494 |
| Liabilities | | | |
| Current Liabilities | 11,958,991 | 12,353,181 | 394,190 |
| Long-Term Liabilities | | | |
| Due Within One Year | 2,568,614 | 2,209,138 | (359,476) |
| Due in More Than One Year | 38,810,347 | 39,919,363 | 1,109,016 |
| Total Liabilities | 53,337,952 | 54,481,682 | 1,143,730 |
| Deferred Inflows of Resources | 25,077,797 | 24,302,432 | (775,365) |
| Net Position | | | |
| Net Investment in Capital Assets | 117,089,538 | 120,041,909 | (2,952,371) |
| Restricted for: | | | |
| Capital Projects | 5,148,128 | 5,179,384 | (31,256) |
| Debt Service | 3,935,697 | 3,978,094 | (42,397) |
| Other Purposes | 7,384,351 | 7,216,099 | 168,252 |
| Unrestricted (Deficit) | (2,829,007) | (4,310,363) | 1,481,356 |
| Total Net Position | \$130,728,707 | \$132,105,123 | (\$1,376,416) |

Current assets increased mainly due to an increase in property taxes receivable resulting from an increase in property values as well as higher delinquency tax collections. 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 for the new Rayen Stadium and various equipment purchases.

Total liabilities decreased during fiscal year 2013 which can 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, 2013
Unaudited

Table 2 shows the changes in net position from fiscal year 2013 to 2012.

Table 2
Change in Net Position
Governmental Activities

| | 2013 | 2012 | Change |
|------------------------------------|----------------------|----------------------|----------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$1,699,284 | \$1,431,653 | \$267,631 |
| Operating Grants and Contributions | 19,744,200 | 20,381,573 | (637,373) |
| Capital Grants and Contributions | 469,306 | 945,135 | (475,829) |
| <i>Total Program Revenues</i> | <u>21,912,790</u> | <u>22,758,361</u> | <u>(845,571)</u> |
| General Revenues | | | |
| Property Taxes | 22,550,377 | 22,010,363 | 540,014 |
| Grants and Entitlements | 83,124,152 | 84,442,753 | (1,318,601) |
| Payment in Lieu of Taxes | 1,416,740 | 1,391,539 | 25,201 |
| Investment Earnings | 170,667 | 48,612 | 122,055 |
| Miscellaneous | 362,779 | 439,181 | (76,402) |
| <i>Total General Revenues</i> | <u>107,624,715</u> | <u>108,332,448</u> | <u>(707,733)</u> |
| <i>Total Revenues</i> | <u>\$129,537,505</u> | <u>\$131,090,809</u> | <u>(\$1,553,304)</u> |

(continued)

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2
Change in Net Position (continued)
Governmental Activities

| | 2013 | 2012 | Change |
|---|----------------------|----------------------|----------------------|
| Program Expenses | | | |
| Instruction: | | | |
| Regular | \$61,347,223 | \$62,536,337 | \$1,189,114 |
| Special | 14,187,687 | 15,085,053 | 897,366 |
| Vocational | 2,610,631 | 2,676,606 | 65,975 |
| Adult/Continuing | 910,568 | 744,914 | (165,654) |
| Student Intervention Services | 491,014 | 634,325 | 143,311 |
| Support Services: | | | |
| Pupil | 6,077,050 | 6,436,086 | 359,036 |
| Instructional Staff | 9,349,192 | 10,656,711 | 1,307,519 |
| Board of Education | 251,888 | 473,079 | 221,191 |
| Administration | 6,458,713 | 7,141,076 | 682,363 |
| Fiscal | 1,255,159 | 1,470,316 | 215,157 |
| Business | 769,927 | 775,245 | 5,318 |
| Operation and Maintenance of Plant | 10,529,905 | 10,894,266 | 364,361 |
| Pupil Transportation | 6,425,923 | 6,140,511 | (285,412) |
| Central | 1,069,009 | 1,381,888 | 312,879 |
| Operation of Non-Instructional Services | 2,616,683 | 2,273,619 | (343,064) |
| Food Service Operation | 3,514,810 | 3,244,078 | (270,732) |
| Extracurricular Activities | 968,818 | 1,029,595 | 60,777 |
| Interest and Fiscal Charges | 2,079,721 | 1,261,321 | (818,400) |
| <i>Total Program Expenses</i> | <u>130,913,921</u> | <u>134,855,026</u> | <u>3,941,105</u> |
| <i>Decrease in Net Position</i> | (1,376,416) | (3,764,217) | 2,387,801 |
| Net Position Beginning of Year | <u>132,105,123</u> | <u>135,869,340</u> | <u>(3,764,217)</u> |
| Net Position End of Year | <u>\$130,728,707</u> | <u>\$132,105,123</u> | <u>(\$1,376,416)</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. In fiscal year 2013, State Foundation monies decreased due to a drop in student enrollment. Operating grants also decreased in fiscal year 2013 due to the completion of the education jobs grant.

Program expenses decreased in fiscal year 2013 due to certified and classified staff reductions.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

During fiscal year 2013 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> |
| 2013 | \$514,902,930 | 1.63 % |
| 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 | |

The average rate of growth over the last 10 years is (2.17) 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, 2013
Unaudited

Table 3
Total and Net Cost of Program Services
Governmental Activities

| | Total Cost of Services 2013 | Net Cost of Services 2013 | Total Cost of Services 2012 | Net Cost of Services 2012 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program Expenses | | | | |
| Instruction: | | | | |
| Regular | \$61,347,223 | (\$58,461,569) | \$62,536,337 | (\$59,168,075) |
| Special | 14,187,687 | (10,686,352) | 15,085,053 | (12,160,353) |
| Vocational | 2,610,631 | (2,145,557) | 2,676,606 | (1,942,812) |
| Adult/Continuing | 910,568 | (48,168) | 744,914 | 170,549 |
| Student Intervention Services | 491,014 | (294,971) | 634,325 | (488,359) |
| Support Services: | | | | |
| Pupil | 6,077,050 | (4,267,744) | 6,436,086 | (4,245,010) |
| Instructional Staff | 9,349,192 | (5,817,240) | 10,656,711 | (6,368,656) |
| Board of Education | 251,888 | (251,888) | 473,079 | (473,079) |
| Administration | 6,458,713 | (5,556,585) | 7,141,076 | (6,461,079) |
| Fiscal | 1,255,159 | (1,254,484) | 1,470,316 | (1,408,287) |
| Business | 769,927 | (769,927) | 775,245 | (775,245) |
| Operation and Maintenance of Plant | 10,529,905 | (9,918,272) | 10,894,266 | (10,216,255) |
| Pupil Transportation | 6,425,923 | (5,628,560) | 6,140,511 | (5,484,995) |
| Central | 1,069,009 | (1,038,409) | 1,381,888 | (1,351,288) |
| Operation of Non-Instructional Services | 2,616,683 | (210,200) | 2,273,619 | (229,170) |
| Food Service Operation | 3,514,810 | 291,068 | 3,244,078 | 235,824 |
| Extracurricular Activities | 968,818 | (862,552) | 1,029,595 | (469,054) |
| Interest and Fiscal Charges | 2,079,721 | (2,079,721) | 1,261,321 | (1,261,321) |
| <i>Total</i> | <u>\$130,913,921</u> | <u>(\$109,001,131)</u> | <u>\$134,855,026</u> | <u>(\$112,096,665)</u> |

The School District's Funds

Information about the School District's major funds begins on page 17. These funds are accounted for using the modified accrual basis of accounting. Despite a significant decrease in intergovernmental monies from State Foundation due to a drop in enrollment, the general fund had an increase in fund balance as revenues continued to outpace expenditures which saw a reduction due to staff cuts. The bond retirement fund had a decrease in fund balance due to higher expenditures resulting from bond issuance costs relating to the refunding of the classroom facilities bonds. The decrease in fund balance was partially offset by an increase in property taxes and homestead and rollback intergovernmental revenues as a result of increased property values and higher delinquent tax collections.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

General Fund Revenues and Expenditures
(Modified Accrual)

| | 2013 | 2012 | Change |
|---|----------------------|----------------------|----------------------|
| Revenues | | | |
| Property Taxes | \$20,093,890 | \$20,073,384 | \$20,506 |
| Intergovernmental | 82,397,299 | 84,344,880 | (1,947,581) |
| Interest | 67,539 | 47,778 | 19,761 |
| Payment in Lieu of Taxes | 1,416,740 | 1,391,539 | 25,201 |
| Other Revenues | 1,065,258 | 804,641 | 260,617 |
| <i>Total</i> | <u>\$105,040,726</u> | <u>\$106,662,222</u> | <u>(\$1,621,496)</u> |
| Expenditures | | | |
| Instruction | \$70,785,095 | \$70,179,284 | (\$605,811) |
| Support Services | 32,268,350 | 33,190,026 | 921,676 |
| Operation of Non-Instructional Services | 10,982 | 1,292 | (9,690) |
| Extracurricular Activities | 300,286 | 282,226 | (18,060) |
| Debt Service | 8,266 | 28,103 | 19,837 |
| <i>Total</i> | <u>\$103,372,979</u> | <u>\$103,680,931</u> | <u>\$307,952</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 2013, 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 an increase in estimate for property taxes resulting from higher property values and anticipated delinquent tax collections as well as an increase in estimated intergovernmental revenue as the School District received notifications of current year grant awards and changes in State aid were finalized.

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 as the School District's current year requirements became more apparent.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Capital Assets and Debt Administration

Capital Assets

The following table shows fiscal 2013 balances compared to 2012.

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

| | 2013 | 2012 | Change |
|-----------------------------|----------------------|----------------------|----------------------|
| Land | \$1,002,781 | \$1,002,781 | \$0 |
| Construction in Progress | 0 | 1,846,415 | (1,846,415) |
| Buildings and Improvements | 147,883,025 | 148,831,972 | (948,947) |
| Furniture and Equipment | 917,377 | 1,076,730 | (159,353) |
| Vehicles | 1,355,338 | 1,622,400 | (267,062) |
| <i>Total Capital Assets</i> | <u>\$151,158,521</u> | <u>\$154,380,298</u> | <u>(\$3,221,777)</u> |

Capital assets decreased during fiscal year 2013 due to an additional year of depreciation. This decrease was partially offset by current year additions to buildings and improvements for the new Rayen Stadium and equipment purchases. For more information about the School District's capital assets, see Note 11 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

| | 2013 | 2012 | Change |
|----------------------------|---------------------|---------------------|--------------------|
| Classroom Facilities Bonds | \$29,185,233 | \$28,117,932 | \$1,067,301 |
| Capital Leases | 5,050,000 | 5,050,000 | 0 |
| Claims | 340,660 | 264,336 | 76,324 |
| Compensated Absences | 6,803,068 | 8,696,233 | (1,893,165) |
| Total | <u>\$41,378,961</u> | <u>\$42,128,501</u> | <u>(\$749,540)</u> |

In fiscal year 2013, the School District refunded a large portion of the 2005 classroom facilities bonds. The original bonds were issued for the construction of new schools. The unrefunded portion of the 2005 classroom facilities bonds will fully mature at December 1, 2027. The series 2012 classroom facilities refunding bonds were issued for an eleven year period with a final maturity at December 1, 2023. The series 2013 classroom facilities refunding bonds were issued for a fifteen year period with a final maturity at December 1, 2027. For additional information on long-term obligations see Note 17 to the basic financial statements.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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 2013. 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 James Reinhard, 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 Position

June 30, 2013

| | Governmental Activities |
|--|-----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$22,956,539 |
| Cash and Cash Equivalents With Fiscal Agents | 3,047,223 |
| Accounts Receivable | 5,538 |
| Accrued Interest Receivable | 10,966 |
| Intergovernmental Receivable | 2,743,792 |
| Prepaid Items | 33,724 |
| Inventory Held for Resale | 53,635 |
| Materials and Supplies Inventory | 449,797 |
| Property Taxes Receivable | 27,127,227 |
| Nondepreciable Capital Assets | 1,002,781 |
| Depreciable Capital Assets, net | 150,155,740 |
| <i>Total Assets</i> | <u>207,586,962</u> |
| Deferred Outflows of Resources | |
| Deferred Charge on Refunding | <u>1,557,494</u> |
| Liabilities | |
| Accounts Payable | 685,233 |
| Contracts Payable | 23,966 |
| Accrued Wages and Benefits | 6,312,847 |
| Intergovernmental Payable | 2,175,787 |
| Matured Compensated Absences Payable | 968,449 |
| Accrued Interest Payable | 138,109 |
| Claims Payable | 1,654,600 |
| Long-Term Liabilities: | |
| Due Within One Year | 2,568,614 |
| Due In More Than One Year | 38,810,347 |
| <i>Total Liabilities</i> | <u>53,337,952</u> |
| Deferred Inflows of Resources | |
| Property Taxes | <u>25,077,797</u> |
| Net Position | |
| Net Investment in Capital Assets | 117,089,538 |
| Restricted for: | |
| Capital Projects | 5,148,128 |
| Debt Service | 3,935,697 |
| Other Purposes | 7,384,351 |
| Unrestricted (Deficit) | <u>(2,829,007)</u> |
| <i>Total Net Position</i> | <u><u>\$130,728,707</u></u> |

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

| | Program Revenues | | | Governmental Activities | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|-------------------------|---------------------------------------|----------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | | |
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$61,347,223 | \$570,604 | \$1,900,117 | \$414,933 | (\$58,461,569) |
| Special | 14,187,687 | 100,454 | 3,400,881 | 0 | (10,686,352) |
| Vocational | 2,610,631 | 337,986 | 127,088 | 0 | (2,145,557) |
| Adult/Continuing | 910,568 | 380,674 | 481,726 | 0 | (48,168) |
| Student Intervention Services | 491,014 | 2,430 | 193,613 | 0 | (294,971) |
| Support Services: | | | | | |
| Pupil | 6,077,050 | 49,083 | 1,760,223 | 0 | (4,267,744) |
| Instructional Staff | 9,349,192 | 0 | 3,531,952 | 0 | (5,817,240) |
| Board of Education | 251,888 | 0 | 0 | 0 | (251,888) |
| Administration | 6,458,713 | 0 | 902,128 | 0 | (5,556,585) |
| Fiscal | 1,255,159 | 0 | 675 | 0 | (1,254,484) |
| Business | 769,927 | 0 | 0 | 0 | (769,927) |
| Operation and Maintenance of Plant | 10,529,905 | 78,888 | 532,745 | 0 | (9,918,272) |
| Pupil Transportation | 6,425,923 | 0 | 797,363 | 0 | (5,628,560) |
| Central | 1,069,009 | 0 | 30,600 | 0 | (1,038,409) |
| Operation of Non-Instructional Services | 2,616,683 | 0 | 2,406,483 | 0 | (210,200) |
| Food Service Operation | 3,514,810 | 127,272 | 3,678,606 | 0 | 291,068 |
| Extracurricular Activities | 968,818 | 51,893 | 0 | 54,373 | (862,552) |
| Interest and Fiscal Charges | 2,079,721 | 0 | 0 | 0 | (2,079,721) |
| <i>Total Governmental Activities</i> | <u>\$130,913,921</u> | <u>\$1,699,284</u> | <u>\$19,744,200</u> | <u>\$469,306</u> | <u>(109,001,131)</u> |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| | | | | | 20,405,788 |
| | | | | | 1,761,068 |
| | | | | | 86,399 |
| | | | | | 297,122 |
| Grants and Entitlements not | | | | | |
| | | | | | 83,124,152 |
| | | | | | 1,416,740 |
| | | | | | 170,667 |
| | | | | | <u>362,779</u> |
| <i>Total General Revenues</i> | | | | | <u>107,624,715</u> |
| Change in Net Position | | | | | (1,376,416) |
| <i>Net Position Beginning of Year</i> | | | | | <u>132,105,123</u> |
| <i>Net Position End of Year</i> | | | | | <u><u>\$130,728,707</u></u> |

See accompanying notes to the basic financial statements

Youngstown City School District

Balance Sheet

Governmental Funds

June 30, 2013

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$9,019,672 | \$2,490,954 | \$8,785,096 | \$20,295,722 |
| Cash and Cash Equivalents With Fiscal Agents | 0 | 0 | 3,047,223 | 3,047,223 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 139,539 | 0 | 0 | 139,539 |
| Property Taxes Receivable | 24,548,759 | 2,341,742 | 236,726 | 27,127,227 |
| Accounts Receivable | 5,538 | 0 | 0 | 5,538 |
| Interfund Receivable | 674,208 | 2,015,000 | 1,971,081 | 4,660,289 |
| Accrued Interest Receivable | 10,966 | 0 | 0 | 10,966 |
| Intergovernmental Receivable | 351,847 | 0 | 2,160,473 | 2,512,320 |
| Prepaid Items | 33,724 | 0 | 0 | 33,724 |
| Materials and Supplies Inventory | 402,691 | 0 | 47,106 | 449,797 |
| Inventory Held for Resale | 0 | 0 | 53,635 | 53,635 |
| <i>Total Assets</i> | <u>\$35,186,944</u> | <u>\$6,847,696</u> | <u>\$16,301,340</u> | <u>\$58,335,980</u> |
| Liabilities | | | | |
| Accounts Payable | \$202,402 | \$0 | \$378,931 | \$581,333 |
| Contracts Payable | 23,966 | 0 | 0 | 23,966 |
| Accrued Wages and Benefits | 5,240,766 | 0 | 1,071,744 | 6,312,510 |
| Interfund Payable | 37,053 | 0 | 4,660,289 | 4,697,342 |
| Intergovernmental Payable | 1,468,293 | 0 | 304,919 | 1,773,212 |
| Matured Compensated Absences Payable | 968,449 | 0 | 0 | 968,449 |
| Accrued Interest Payable | 0 | 0 | 62,801 | 62,801 |
| <i>Total Liabilities</i> | <u>7,940,929</u> | <u>0</u> | <u>6,478,684</u> | <u>14,419,613</u> |
| Deferred Inflows of Resources | | | | |
| Property Taxes | 22,694,129 | 2,164,826 | 218,842 | 25,077,797 |
| Unavailable Revenue | 2,020,303 | 176,916 | 1,757,923 | 3,955,142 |
| <i>Total Deferred Inflows of Resources</i> | <u>24,714,432</u> | <u>2,341,742</u> | <u>1,976,765</u> | <u>29,032,939</u> |
| Fund Balances | | | | |
| Nonspendable | 575,954 | 0 | 47,106 | 623,060 |
| Restricted | 0 | 4,505,954 | 12,603,693 | 17,109,647 |
| Committed | 25,519 | 0 | 0 | 25,519 |
| Assigned | 1,583,368 | 0 | 0 | 1,583,368 |
| Unassigned (Deficit) | 346,742 | 0 | (4,804,908) | (4,458,166) |
| <i>Total Fund Balances</i> | <u>2,531,583</u> | <u>4,505,954</u> | <u>7,845,891</u> | <u>14,883,428</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$35,186,944</u> | <u>\$6,847,696</u> | <u>\$16,301,340</u> | <u>\$58,335,980</u> |

See accompanying notes to the basic financial statements

Youngstown City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013*

Total Governmental Fund Balances \$14,883,428

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 151,158,521

Other long-term assets are not available to pay for current-period expenditures
 and therefore are reported as unavailable revenue in the funds.

| | | |
|---------------------------|-----------|--|
| Delinquent Property Taxes | 2,049,430 | |
| Grants | 1,905,712 | |

| | | |
|-------|--|-----------|
| Total | | 3,955,142 |
|-------|--|-----------|

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 position.

| | | |
|----------------|---------|--|
| Net Position | 287,731 | |
| Claims Payable | 340,660 | |

| | | |
|-------|--|---------|
| Total | | 628,391 |
|-------|--|---------|

In the statement of activities, interest is accrued on outstanding
 bonds, whereas in governmental funds, an interest expenditure
 is reported when due. (75,308)

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds:

| | | |
|------------------------------|--------------|--|
| Classroom Facilities Bonds | (29,185,233) | |
| Capital Lease | (5,050,000) | |
| Claims Payable | (340,660) | |
| Compensated Absences | (6,803,068) | |
| Deferred Charge on Refunding | 1,557,494 | |

| | | |
|-------|--|--------------|
| Total | | (39,821,467) |
|-------|--|--------------|

| | |
|--|---------------|
| <i>Net Position of Governmental Activities</i> | \$130,728,707 |
|--|---------------|

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, 2013

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$20,093,890 | \$1,714,838 | \$380,458 | \$22,189,186 |
| Intergovernmental | 82,397,299 | 324,277 | 18,783,183 | 101,504,759 |
| Interest | 67,539 | 0 | 103,128 | 170,667 |
| Tuition and Fees | 578,774 | 0 | 687,281 | 1,266,055 |
| Extracurricular Activities | 49,083 | 0 | 54,346 | 103,429 |
| Payment in Lieu of Taxes | 1,416,740 | 0 | 0 | 1,416,740 |
| Contributions and Donations | 34,221 | 0 | 413,179 | 447,400 |
| Charges for Services | 116,002 | 0 | 134,910 | 250,912 |
| Rentals | 78,888 | 0 | 0 | 78,888 |
| Miscellaneous | 208,290 | 0 | 149,654 | 357,944 |
| <i>Total Revenues</i> | <u>105,040,726</u> | <u>2,039,115</u> | <u>20,706,139</u> | <u>127,785,980</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 57,965,022 | 0 | 1,737,736 | 59,702,758 |
| Special | 10,425,818 | 0 | 3,230,251 | 13,656,069 |
| Vocational | 2,151,507 | 0 | 453,442 | 2,604,949 |
| Adult/Continuing | 0 | 0 | 902,926 | 902,926 |
| Student Intervention Services | 242,748 | 0 | 227,862 | 470,610 |
| Support Services: | | | | |
| Pupil | 3,860,963 | 0 | 2,002,247 | 5,863,210 |
| Instructional Staff | 5,440,051 | 0 | 3,734,895 | 9,174,946 |
| Board of Education | 251,710 | 0 | 0 | 251,710 |
| Administration | 5,008,143 | 0 | 1,082,449 | 6,090,592 |
| Fiscal | 1,207,976 | 22,178 | 3,607 | 1,233,761 |
| Business | 780,853 | 0 | 2,975 | 783,828 |
| Operation and Maintenance of Plant | 9,479,787 | 0 | 656,410 | 10,136,197 |
| Pupil Transportation | 5,188,155 | 0 | 905,951 | 6,094,106 |
| Central | 1,050,712 | 0 | 159 | 1,050,871 |
| Operation of Non-Instructional Services | 10,982 | 0 | 2,462,330 | 2,473,312 |
| Operation of Food Services | 0 | 0 | 3,520,129 | 3,520,129 |
| Extracurricular Activities | 300,286 | 0 | 110,224 | 410,510 |
| Capital Outlay | 0 | 0 | 1,570,621 | 1,570,621 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 1,250,000 | 0 | 1,250,000 |
| Interest and Fiscal Charges | 8,266 | 956,886 | 68,561 | 1,033,713 |
| Bond Issuance Costs | 0 | 396,456 | 0 | 396,456 |
| <i>Total Expenditures</i> | <u>103,372,979</u> | <u>2,625,520</u> | <u>22,672,775</u> | <u>128,671,274</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>1,667,747</u> | <u>(586,405)</u> | <u>(1,966,636)</u> | <u>(885,294)</u> |
| Other Financing Sources (Uses) | | | | |
| Refunding Bonds Issued | 0 | 23,389,988 | 0 | 23,389,988 |
| Premium on Refunding Bonds Issued | 0 | 2,577,761 | 0 | 2,577,761 |
| Payment to Refunded Bond Escrow Agent | 0 | (25,563,769) | 0 | (25,563,769) |
| Transfers In | 71,081 | 0 | 88,745 | 159,826 |
| Transfers Out | (69,129) | 0 | (90,697) | (159,826) |
| <i>Total Other Financing Sources (Uses)</i> | <u>1,952</u> | <u>403,980</u> | <u>(1,952)</u> | <u>403,980</u> |
| <i>Net Change in Fund Balances</i> | 1,669,699 | (182,425) | (1,968,588) | (481,314) |
| <i>Fund Balances Beginning of Year</i> | <u>861,884</u> | <u>4,688,379</u> | <u>9,814,479</u> | <u>15,364,742</u> |
| <i>Fund Balances End of Year</i> | <u>\$2,531,583</u> | <u>\$4,505,954</u> | <u>\$7,845,891</u> | <u>\$14,883,428</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, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$481,314)

*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 Asset Additions | 1,687,552 |
| Current Year Depreciation | (4,909,329) |

Total (3,221,777)

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

| | |
|---------------------------|-----------|
| Delinquent Property Taxes | 361,191 |
| Grants | 1,128,601 |

Total 1,489,792

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. 26,813,769

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 | (76,324) |
| Compensated Absences | 1,893,165 |

Total 1,816,841

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.

| | |
|------------------------|-------------|
| Change in Net Position | (1,252,750) |
| Claims Payable | 76,324 |

Total (1,176,426)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position:

| | |
|-----------------------------------|--------------|
| Refunding Bonds Issued | (23,389,988) |
| Premium on Refunding Bonds Issued | (2,577,761) |

Total (25,967,749)

In the statement of activities, interest is accrued on outstanding bonds, bond accretion, bond premium and loss on refunding are amortized over the term of the bonds, whereas in governmental funds an interest expenditure is reported when due and premiums, and loss on refunding are reported when the bonds are issued:

| | |
|---|-----------|
| Accrued Interest | (293,725) |
| Bond Accretion | (14,692) |
| Bond Premium Amortization | 135,140 |
| Deferred Charge on Refunding Amortization | (476,275) |

Total (649,552)

Change in Net Position of Governmental Activities (\$1,376,416)

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, 2013

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$18,476,175 | \$20,035,826 | \$20,180,289 | \$144,463 |
| Intergovernmental | 73,794,021 | 80,155,059 | 82,751,844 | 2,596,785 |
| Interest | 109,225 | 111,152 | 111,832 | 680 |
| Tuition and Fees | 487,376 | 528,517 | 543,040 | 14,523 |
| Payment in Lieu of Taxes | 1,416,740 | 1,416,740 | 1,416,740 | 0 |
| Contributions and Donations | 19,946 | 21,630 | 22,224 | 594 |
| Charges for Services | 260 | 282 | 290 | 8 |
| Rentals | 70,801 | 76,778 | 78,888 | 2,110 |
| Miscellaneous | 150,125 | 146,363 | 201,657 | 55,294 |
| <i>Total Revenues</i> | <u>94,524,669</u> | <u>102,492,347</u> | <u>105,306,804</u> | <u>2,814,457</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 50,415,258 | 57,835,606 | 57,833,163 | 2,443 |
| Special | 9,365,618 | 10,743,572 | 10,743,572 | 0 |
| Vocational | 1,864,214 | 2,153,058 | 2,153,058 | 0 |
| Student Intervention Services | 214,909 | 251,081 | 251,081 | 0 |
| Support Services: | | | | |
| Pupil | 3,341,524 | 3,862,652 | 3,862,652 | 0 |
| Instructional Staff | 4,702,355 | 5,397,276 | 5,397,276 | 0 |
| Board of Education | 185,270 | 243,133 | 243,133 | 0 |
| Administration | 4,553,253 | 5,245,436 | 5,245,436 | 0 |
| Fiscal | 1,297,691 | 2,075,595 | 2,075,595 | 0 |
| Business | 710,910 | 877,441 | 877,441 | 0 |
| Operation and Maintenance of Plant | 8,346,448 | 10,097,116 | 10,097,116 | 0 |
| Pupil Transportation | 4,650,789 | 5,422,385 | 5,422,385 | 0 |
| Central | 927,687 | 1,242,122 | 1,242,122 | 0 |
| Operation of Non-Instructional Services | 8,873 | 14,349 | 14,349 | 0 |
| Extracurricular Activities | 256,532 | 293,444 | 293,444 | 0 |
| Debt Service: | | | | |
| Principal | 1,322,500 | 1,322,500 | 1,322,500 | 0 |
| Interest | 106,237 | 106,237 | 106,237 | 0 |
| <i>Total Expenditures</i> | <u>92,270,068</u> | <u>107,183,003</u> | <u>107,180,560</u> | <u>2,443</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>2,254,601</u> | <u>(4,690,656)</u> | <u>(1,873,756)</u> | <u>2,816,900</u> |
| Other Financing Sources (Uses) | | | | |
| Advances In | 663,365 | 663,365 | 663,365 | 0 |
| Advances Out | (610,908) | (610,908) | (610,908) | 0 |
| Transfers In | 0 | 71,081 | 71,081 | 0 |
| Transfers Out | (40,415) | (69,129) | (69,129) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>12,042</u> | <u>54,409</u> | <u>54,409</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | 2,266,643 | (4,636,247) | (1,819,347) | 2,816,900 |
| <i>Fund Balance Beginning of Year</i> | 8,029,267 | 8,029,267 | 8,029,267 | 0 |
| Prior Year Encumbrances Appropriated | 1,318,952 | 1,318,952 | 1,318,952 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$11,614,862</u> | <u>\$4,711,972</u> | <u>\$7,528,872</u> | <u>\$2,816,900</u> |

See accompanying notes to the basic financial statements

Youngstown City School District

Statement of Fund Net Position

Internal Service Funds

June 30, 2013

| | Self Insurance | Workers' Compensation | Total |
|--|-------------------|--------------------------|------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,046,231 | \$475,047 | \$2,521,278 |
| Intergovernmental Receivable | 0 | 231,472 | 231,472 |
| Interfund Receivable | 0 | 37,053 | 37,053 |
| <i>Total Assets</i> | <u>2,046,231</u> | <u>743,572</u> | <u>2,789,803</u> |
| Liabilities | | | |
| Accounts Payable | 103,900 | 0 | 103,900 |
| Accrued Wages and Benefits | 0 | 337 | 337 |
| Intergovernmental Payable | 0 | 402,575 | 402,575 |
| Claims Payable | 1,654,600 | 340,660 | 1,995,260 |
| <i>Total Liabilities</i> | <u>1,758,500</u> | <u>743,572</u> | <u>2,502,072</u> |
| Net Position | | | |
| Unrestricted | <u>\$287,731</u> | <u>\$0</u> | <u>\$287,731</u> |

See accompanying notes to the basic financial statements

Youngstown City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2013*

| | Self Insurance | Workers' Compensation | Total |
|---|-------------------------|--------------------------|-------------------------|
| Operating Revenues | | | |
| Charges for Services | \$14,138,737 | \$669,506 | \$14,808,243 |
| Miscellaneous | 4,835 | 0 | 4,835 |
| <i>Total Operating Revenues</i> | <u>14,143,572</u> | <u>669,506</u> | <u>14,813,078</u> |
| Operating Expenses | | | |
| Salaries | 0 | 17,094 | 17,094 |
| Fringe Benefits | 29,504 | 408,388 | 437,892 |
| Purchased Services | 590,097 | 5,189 | 595,286 |
| Claims | 14,799,656 | 452,803 | 15,252,459 |
| <i>Total Operating Expenses</i> | <u>15,419,257</u> | <u>883,474</u> | <u>16,302,731</u> |
| <i>Operating Loss</i> | (1,275,685) | (213,968) | (1,489,653) |
| Non-Operating Revenues | | | |
| Operating Grants | <u>0</u> | <u>236,903</u> | <u>236,903</u> |
| <i>Change in Net Position</i> | (1,275,685) | 22,935 | (1,252,750) |
| <i>Net Position Beginning of Year - Restated (See Note 3)</i> | <u>1,563,416</u> | <u>(22,935)</u> | <u>1,540,481</u> |
| <i>Net Position End of Year</i> | <u><u>\$287,731</u></u> | <u><u>\$0</u></u> | <u><u>\$287,731</u></u> |

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2013

| | Self Insurance | Workers' Compensation | Total |
|---|-------------------|--------------------------|---------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | | |
| Cash Flows from Operating Activities | | | |
| Cash Received from Interfund Services Provided | \$14,138,737 | \$632,453 | \$14,771,190 |
| Other Cash Receipts | 4,835 | 0 | 4,835 |
| Cash Payments to Employees for Services and Benefits | (29,504) | (23,879) | (53,383) |
| Cash Payments for Goods and Services | (594,597) | (5,189) | (599,786) |
| Cash Payments for Claims | (14,862,856) | (376,479) | (15,239,335) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | (1,343,385) | 226,906 | (1,116,479) |
| Cash Flows from Noncapital Financing Activities | | | |
| Operating Grants Received | 0 | 5,431 | 5,431 |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | (1,343,385) | 232,337 | (1,111,048) |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 3,389,616 | 242,710 | 3,632,326 |
| <i>Cash and Cash Equivalents End of Year</i> | \$2,046,231 | \$475,047 | \$2,521,278 |
| Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities | | | |
| Operating Loss | (\$1,275,685) | (\$213,968) | (\$1,489,653) |
| Adjustments: | | | |
| Increase in Interfund Receivable | 0 | (37,053) | (37,053) |
| Increase (Decrease) in Liabilities: | | | |
| Accounts Payable | (4,500) | 0 | (4,500) |
| Accrued Wages and Benefits | 0 | 8 | 8 |
| Intergovernmental Payable | 0 | 401,595 | 401,595 |
| Claims Payable | (63,200) | 76,324 | 13,124 |
| Total Adjustments | (67,700) | 440,874 | 373,174 |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | (\$1,343,385) | \$226,906 | (\$1,116,479) |

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

| | Private Purpose Trust | |
|--|--------------------------|-----------|
| | Scholarship | Agency |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$141,255 | \$261,055 |
| Liabilities | | |
| Undistributed Monies | 0 | \$67,625 |
| Due to Students | 0 | 193,430 |
| <i>Total Liabilities</i> | 0 | \$261,055 |
| Net Position | | |
| Held in Trust for Scholarships | \$141,255 | |

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

| | Scholarship |
|---------------------------------------|-------------|
| Additions | |
| Contributions and Donations | \$50,431 |
| Deductions | |
| Scholarships Awarded | 25,582 |
| <i>Change in Net Position</i> | 24,849 |
| <i>Net Position Beginning of Year</i> | 116,406 |
| <i>Net Position End of Year</i> | \$141,255 |

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, 2013

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 346 non-certified employees, 510 certified full-time teaching personnel and 65 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 2013 fiscal year was 5,648. 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 19 to the basic financial statements.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 2 - Summary of Significant Accounting Policies

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account 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 position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

Internal Service Funds Internal service funds account 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 internal service funds report on self-insurance programs for employee medical, prescription drug, dental and vision claims and workers' compensation.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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, 2013

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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. 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 inflows/outflows of resources 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 8) 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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 position as "cash and cash equivalents with fiscal agents."

During fiscal year 2013, investments were limited to federal home loan bank bonds, federal home loan mortgage corporation notes, federal national mortgage association notes and STAR Ohio.

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

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, 2013.

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 2013 amounted to \$67,539, of which \$37,211 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, 2013, 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 position 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:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| 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 position.

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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is 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 adopted by the School District. Net position 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 position are available.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated.

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.

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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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 – Changes in Accounting Principles and Restatement of Prior Year Net Position

Changes in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, Statement No.64, “Derivative Instruments: Application of Hedge Accounting Termination,” Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units’ presentation and certain disclosure requirements. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

Restatement of Prior Year Net Position

During fiscal year 2013, it was determined that workers' compensation claims payable of \$264,336 should have been booked to the workers' compensation internal service fund instead of being booked directly to the governmental fund type. This restatement decreased net position at June 30, 2012 in the internal service funds from \$1,804,817 to \$1,540,481. The restatement had no effect on total governmental net position.

Note 4 – Fund Deficits

Fund balances at June 30, 2013, included the following individual fund deficits:

| | <u>Deficit Fund Balance</u> |
|--------------------------------|-----------------------------|
| <i>Special Revenue Fund:</i> | |
| Public Preschool | \$37,109 |
| Adult Basic Education | 3,832 |
| Title VI-B | 8,304 |
| Vocational Education | 2,953 |
| Title I | 801,109 |
| Preschool for Handicapped | 4,341 |
| Reducing Class Size | 162,840 |
| <i>Capital Projects Funds:</i> | |
| Building | 2,077,801 |
| Rayen Stadium | 1,706,619 |

The special revenue funds 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 5 - 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 | \$33,724 | \$0 | \$0 | \$33,724 |
| Materials and Supplies Inventory | 402,691 | 0 | 47,106 | 449,797 |
| Unclaimed Monies | 139,539 | 0 | 0 | 139,539 |
| <i>Total Nonspendable</i> | 575,954 | 0 | 47,106 | 623,060 |
| <i>Restricted for</i> | | | | |
| Food Service Operations | 0 | 0 | 1,631,679 | 1,631,679 |
| Adult Education | 0 | 0 | 413,710 | 413,710 |
| Student Enrichment | 0 | 0 | 356,553 | 356,553 |
| Classroom Facilities Maintenance | 0 | 0 | 4,541,678 | 4,541,678 |
| Athletics | 0 | 0 | 40,193 | 40,193 |
| Non-Public Schools | 0 | 0 | 356,721 | 356,721 |
| Educational Management | | | | |
| Information Systems | 0 | 0 | 30,600 | 30,600 |
| Vocational/Alternative Schools | 0 | 0 | 8,594 | 8,594 |
| Leadership Programs | 0 | 0 | 13,531 | 13,531 |
| Instructional Services | 0 | 0 | 38,382 | 38,382 |
| Limited English Proficiency | 0 | 0 | 5,945 | 5,945 |
| Education Reform | 0 | 0 | 17,979 | 17,979 |
| Debt Service Payments | 0 | 4,505,954 | 0 | 4,505,954 |
| Capital Improvements | 0 | 0 | 5,148,128 | 5,148,128 |
| <i>Total Restricted</i> | 0 | 4,505,954 | 12,603,693 | 17,109,647 |
| <i>Committed to</i> | | | | |
| Student Educational Services | 18,500 | 0 | | 18,500 |
| Audit/Legal Services | 7,019 | 0 | 0 | 7,019 |
| <i>Total Committed</i> | 25,519 | 0 | 0 | 25,519 |
| <i>Assigned to</i> | | | | |
| Purchases on Order | 1,524,353 | 0 | 0 | 1,524,353 |
| Pupil Support Services | 59,015 | 0 | 0 | 59,015 |
| <i>Total Assigned</i> | 1,583,368 | 0 | 0 | 1,583,368 |
| <i>Unassigned (Deficit)</i> | 346,742 | 0 | (4,804,908) | (4,458,166) |
| <i>Total Fund Balances</i> | \$2,531,583 | \$4,505,954 | \$7,845,891 | \$14,883,428 |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 - 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. Investments are reported at cost (budget) rather than fair value (GAAP).
4. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. 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.

| Net Change in Fund Balance | |
|------------------------------|---------------|
| GAAP Basis | \$1,669,699 |
| Revenue Accruals | 263,670 |
| Advances In | 663,365 |
| Ending Fair Value Adjustment | |
| for Investments | 70,315 |
| Expenditure Accruals | (2,202,981) |
| Perspective Difference: | |
| Public School Support | (15,704) |
| Advances Out | (610,908) |
| Encumbrances | (1,656,803) |
| Budget Basis | (\$1,819,347) |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 7 - 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;
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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,996,819 of the School District's bank balance of \$11,037,750 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

Investments are reported at fair value. As of June 30, 2013, the School District had the following investments:

| | Fair Value | Maturity | Standard & Poor's Rating | Percentage of Total Investments |
|--|----------------------------|----------------------|--------------------------|---------------------------------|
| STAR Ohio | \$6,779,010 | Average 57.5 Days | AAAm | N/A |
| Federal Home Loan Bank Bonds | 1,286,845 | Less than five years | AAA | 18.92% |
| Federal Home Loan Mortgage Corporation Notes | 5,390,035 | Less than five years | AAA | 79.27% |
| Federal National Mortgage Association Notes | 122,805 | Less than five years | AAA | 1.81% |
| Total | <u><u>\$13,578,695</u></u> | | | |

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. Repurchase agreements are limited to 30 days and the market value of the underlying securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 - 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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property 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.

Public utility property tax revenues received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five 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, 2013, 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, 2013, 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 inflows of resources – property taxes.

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, 2013 or June 30, 2012.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The assessed values upon which the fiscal year 2013 taxes were collected are:

| | 2012 Second - Half Collections | | 2013 First - Half Collections | |
|---|--------------------------------|----------------|-------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$456,884,500 | 90.18% | \$460,817,440 | 89.50% |
| Public Utility | 49,748,960 | 9.82 | 54,085,490 | 10.50 |
| Total Assessed Value | <u>\$506,633,460</u> | <u>100.00%</u> | <u>\$514,902,930</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$62.50 | | \$63.00 | |

Note 9 - Receivables

Receivables at June 30, 2013, 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 | <u>\$41,604,123</u> | <u>\$14,476,896</u> | <u>\$27,127,227</u> |

A summary of the principal items of intergovernmental receivables follows:

| | Amounts |
|--|--------------------|
| <i>Governmental Activities</i> | |
| Title I Grants | \$1,552,107 |
| Reducing Class Size Grants | 213,988 |
| SERS Overpayment Refund | 165,673 |
| Adult Basic Education Grants | 117,625 |
| Mahoning Valley Opportunity Center | 115,712 |
| 21st Century Grants | 92,259 |
| Public Preschool Grants | 61,183 |
| Medicaid Reimbursement | 60,388 |
| Title VI-B Grants | 38,727 |
| Alternative Schools Grants | 28,723 |
| Preschool for Handicapped Grants | 26,578 |
| Limited English Proficiency Grants | 15,875 |
| Tuition Reimbursement | 14,874 |
| Vocational Education Grants | 5,097 |
| Youngstown Schools After School Alliance | 3,511 |
| <i>Total Governmental Activities</i> | <u>\$2,512,320</u> |
| <i>Internal Service Fund</i> | |
| Bureau of Workers' Compensation Refund | <u>\$231,472</u> |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 10 - Contingencies

Grants

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. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, 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.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

| Governmental Activities | Balance 6/30/2012 | Additions | Deductions | Balance 6/30/2013 |
|--|----------------------|----------------------|----------------------|----------------------|
| <i>Capital Assets not being Depreciated:</i> | | | | |
| Land | \$1,002,781 | \$0 | \$0 | \$1,002,781 |
| Construction in Progress | 1,846,415 | 1,558,307 | (3,404,722) | 0 |
| Total Nondepreciable Capital Assets | 2,849,196 | 1,558,307 | (3,404,722) | 1,002,781 |
| <i>Capital Assets being Depreciated:</i> | | | | |
| Buildings and Improvements | 183,918,216 | 3,426,649 | 0 | 187,344,865 |
| Furniture and Equipment | 23,506,951 | 107,318 | 0 | 23,614,269 |
| Vehicles | 3,304,519 | 0 | 0 | 3,304,519 |
| Total Capital Assets being Depreciated | 210,729,686 | 3,533,967 | 0 | 214,263,653 |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Buildings and Improvements | (35,086,244) | (4,375,596) | 0 | (39,461,840) |
| Furniture and Equipment | (22,430,221) | (266,671) | 0 | (22,696,892) |
| Vehicles | (1,682,119) | (267,062) | 0 | (1,949,181) |
| Total Accumulated Depreciation | (59,198,584) | (4,909,329) * | 0 | (64,107,913) |
| Total Assets being Depreciated, Net | 151,531,102 | (1,375,362) | 0 | 150,155,740 |
| Governmental Activities Capital Assets, Net | \$154,380,298 | \$182,945 | (\$3,404,722) | \$151,158,521 |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

*Depreciation expense was charged to governmental activities as follows:

| | |
|---|---------------------------|
| Instruction: | |
| Regular | \$2,192,593 |
| Special | 454,749 |
| Vocational | 51,107 |
| Support Services: | |
| Pupil | 210,387 |
| Instructional Staff | 315,246 |
| Board of Education | 178 |
| Administration | 372,292 |
| Fiscal | 572 |
| Business | 14,882 |
| Operation and Maintenance of Plant | 294,772 |
| Pupil Transportation | 290,702 |
| Central | 10,658 |
| Operation of Non-Instructional Services | 136,211 |
| Food Service Operation | 8,030 |
| Extracurricular Activities | 556,950 |
| Total Depreciation Expense | <u><u>\$4,909,329</u></u> |

Note 12 - 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 2013, 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 \$281,297,437 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 2013, the School District paid the State Workers' Compensation System a minimum premium based on a rate of .004162 per \$100 of salaries.

The balance of claims payable at June 30, 2013 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 \$340,660 at June 30, 2013, 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 |
|------|------------------------------------|------------------------|-------------------|------------------------------|
| 2012 | \$277,782 | \$291,394 | \$304,840 | \$264,336 |
| 2013 | 264,336 | 452,803 | 376,479 | 340,660 |

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 \$1,654,600 reported in the internal service fund at June 30, 2013 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 2012 and 2013 were:

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2012 | \$2,111,800 | \$12,917,244 | \$13,311,244 | \$1,717,800 |
| 2013 | 1,717,800 | 14,799,656 | 14,862,856 | 1,654,600 |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 - 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, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2013, 2012 and 2011 were \$1,804,655, \$1,873,571 and \$1,689,066, respectively. For fiscal year 2013, 98.58 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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 \$4,563,988 and \$105,834 for the fiscal year ended June 30, 2013, \$4,979,520 and \$103,397 for the fiscal year ended June 30, 2012, and \$5,032,368 and \$95,378 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83.81 percent has been contributed for the DB plan and 83.81 has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$88,387 made by the School District and \$63,134 made by the plan members. In addition, member contributions of \$75,595 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Note 14 - 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 2013, 0.16 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 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$217,051 in surcharge.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, 2012 and 2011 were \$239,093, \$293,772 and \$417,152, respectively. For fiscal year 2013, 98.58 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$101,942, \$110,644 and \$108,695, respectively. For fiscal year 2013, 98.58 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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.

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 2013, 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, 2013, 2012 and 2011 were \$351,076, \$383,040 and \$387,105, respectively. For fiscal year 2013, 83.81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 15 - Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 16 - Interfund Transactions

Interfund Transfers

The general fund transferred \$42,696 and \$26,433, respectively, to the athletics and title I special revenue funds to help provide funding for fiscal year 2013. The adult basic education special revenue fund made a transfer of \$19,616 to the adult education fund to provide for program expenditures. The local grants special revenue fund made a transfer of \$31,081 to the general fund due to the completion of various grants. The classroom facilities made a transfer of \$40,000 to the general fund for capital lease sinking fund payments.

Interfund Balances

| Interfund Payable | Interfund Receivable | | | Total |
|---------------------------------------|----------------------|-------------------------|--------------------------|-------------|
| | General | Classroom Facilities | Workers' Compensation | |
| General | \$0 | \$0 | \$37,053 | \$37,053 |
| <i>Other Governmental Funds:</i> | | | | |
| Local Grants | 1,168 | 0 | 0 | 1,168 |
| Public Preschool | 48,321 | 0 | 0 | 48,321 |
| Alternative Schools | 17,461 | 0 | 0 | 17,461 |
| Adult Basic Education | 101,851 | 0 | 0 | 101,851 |
| Race to the Top | 18,069 | 0 | 0 | 18,069 |
| Limited English Proficiency | 16,668 | 0 | 0 | 16,668 |
| Title I | 284,975 | 0 | 0 | 284,975 |
| Preschool for Handicapped | 20,730 | 0 | 0 | 20,730 |
| Reducing Class Size | 65,008 | 0 | 0 | 65,008 |
| Miscellaneous Federal Grants | 99,957 | 0 | 0 | 99,957 |
| Rayen Stadium | 0 | 1,971,081 | 0 | 1,971,081 |
| <i>Total Other Governmental Funds</i> | 674,208 | 1,971,081 | 0 | 2,645,289 |
| <i>Total All Funds</i> | \$674,208 | \$1,971,081 | \$37,053 | \$2,682,342 |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Interfund receivables/payables of \$610,908 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 \$1,971,081 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 \$63,300 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 of \$37,053 between the workers' compensation internal service fund and the general fund is due to the School District moving monies to pay claims when funds are needed rather than when claims are incurred.

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.

Changes in manuscript debt of the School District during fiscal year 2013 were as follows:

| | Outstanding June 30, 2012 | Additions | Deletions | Outstanding June 30, 2013 |
|-------------------------------|------------------------------|------------|--------------------|------------------------------|
| Manuscript Notes: | | | | |
| Tax Anticipation, Series 2009 | \$1,322,500 | \$0 | \$1,322,500 | \$0 |
| Manuscript Bonds: | | | | |
| Bus Acquisition, Series 2011 | 2,015,000 | 0 | 0 | 2,015,000 |
| Total Manuscript Debt | \$3,337,500 | \$0 | \$1,322,500 | \$2,015,000 |

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

| Fiscal Year ending June 30 | Manuscript Bonds - Bus Acquisition | |
|----------------------------------|---------------------------------------|------------------|
| | Principal | Interest |
| 2014 | \$377,000 | \$68,510 |
| 2015 | 389,000 | 55,692 |
| 2016 | 403,000 | 42,466 |
| 2017 | 416,000 | 28,764 |
| 2018 | 430,000 | 14,620 |
| | \$2,015,000 | \$210,052 |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 17 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

| | Principal Outstanding 6/30/12 | Additions | Deductions | Principal Outstanding 6/30/13 | Amounts Due in One Year |
|---|-------------------------------------|---------------------|---------------------|-------------------------------------|-------------------------------|
| General Obligation Bonds | | | | | |
| 2005 Classroom Facilities Bonds | | | | | |
| Serial Bonds | \$27,470,000 | \$0 | \$24,780,000 | \$2,690,000 | \$1,295,000 |
| Unamortized Premium | 647,932 | 0 | 38,868 | 609,064 | 0 |
| Total 2005 Classroom Facilities Bonds | <u>28,117,932</u> | <u>0</u> | <u>24,818,868</u> | <u>3,299,064</u> | <u>1,295,000</u> |
| 2012 Classroom Facilities Refunding Bonds | | | | | |
| Serial Bonds | 0 | 14,610,000 | 0 | 14,610,000 | 40,000 |
| Unamortized Premium | 0 | 1,638,508 | 75,046 | 1,563,462 | 0 |
| Total 2012 Classroom Facilities Refunding Bonds | <u>0</u> | <u>16,248,508</u> | <u>75,046</u> | <u>16,173,462</u> | <u>40,000</u> |
| 2013 Classroom Facilities Refunding Bonds | | | | | |
| Serial Bonds | 0 | 7,615,000 | 0 | 7,615,000 | 180,000 |
| Capital Appreciation Bonds | 0 | 444,988 | 0 | 444,988 | 0 |
| Accretion on Bonds | 0 | 14,692 | 0 | 14,692 | 0 |
| Term Bonds | 0 | 720,000 | 0 | 720,000 | 0 |
| Unamortized Premium | 0 | 939,253 | 21,226 | 918,027 | 0 |
| Total 2013 Classroom Facilities Refunding Bonds | <u>0</u> | <u>9,733,933</u> | <u>21,226</u> | <u>9,712,707</u> | <u>180,000</u> |
| Total General Obligation Bonds | 28,117,932 | 25,982,441 | 24,915,140 | 29,185,233 | 1,515,000 |
| Capital Lease Payable | 5,050,000 | 0 | 0 | 5,050,000 | 0 |
| Claims Payable | 264,336 | 452,803 | 376,479 | 340,660 | 85,165 |
| Compensated Absences | 8,696,233 | 1,957,287 | 3,850,452 | 6,803,068 | 968,449 |
| <i>Total General Long - Term Obligations</i> | <u>\$42,128,501</u> | <u>\$28,392,531</u> | <u>\$29,142,071</u> | <u>\$41,378,961</u> | <u>\$2,568,614</u> |

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

On March 2, 2005, the School District issued \$35,625,000 in classroom facilities bonds for the construction of new schools. The bonds will be paid using tax revenue from the debt service fund. The bonds were issued for a twenty-two year period with a final maturity of December 1, 2027. The bonds were issued at a premium of \$932,964. On December 20, 2012 and February 20, 2013, a portion of the serial bonds were retired by the School District through an advance refunding. Serial bonds of \$2,690,000 remained outstanding at June 30, 2013.

On December 20, 2012, the School District issued \$14,610,000 in general obligation serial bonds to refund a portion of the 2005 classroom facilities bonds. The bonds were issued for an eleven year period with a final maturity at December 1, 2023. The bonds will be retired from the debt service fund.

On February 20, 2013, the School District issued \$8,779,988 in general obligation bonds to refund a portion of the 2005 classroom facilities bonds. The general obligation bonds included serial, term and capital appreciation (deep discount) bonds in the amount of \$7,615,000, \$720,000 and \$444,988, respectively. The bonds were issued for a fifteen year period with a final maturity at December 1, 2027. The bonds will be retired from the debt service fund.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The maturity amount of outstanding capital appreciation bonds at June 30, 2013 is \$1,665,000. The accretion recorded for fiscal year 2013 was \$14,692, for a total outstanding bond liability of \$459,680 at June 30, 2013.

The refunding bonds were sold at a premium of \$2,577,761. Net proceeds of \$25,563,769 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, \$23,530,000 of these bonds is considered defeased and the liability for the refund portion of these bonds has been removed from the School District's financial statements.

The School District decreased its total debt service payments by \$2,291,084 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$1,728,984.

An analysis of the refunding issue follows:

| | 2005 Classroom Facilities Bonds |
|---|---------------------------------------|
| Outstanding at June 30, 2013 | \$27,470,000 |
| Amount Refunded | (23,530,000) |
| Non-Refunded Portion | 3,940,000 |
| Principal Payment on Non-Refunded Portion | (1,250,000) |
| Outstanding Principal at June 30, 2013 | \$2,690,000 |

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 and reducing class size special revenue funds.

The School District's overall debt margin was \$24,767,230 with an unvoted debt margin of \$514,903 at June 30, 2013. Principal and interest requirements to retire the classroom facilities bonds are as follows:

| | General Obligation Bonds | | | | | |
|-----------|--------------------------|-----------|--------------|-------------|----------------------|-------------|
| | Term | | Serial | | Capital Appreciation | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2014 | \$0 | \$15,300 | \$1,515,000 | \$863,337 | \$0 | \$0 |
| 2015 | 0 | 15,300 | 1,475,000 | 813,401 | 0 | 0 |
| 2016 | 0 | 15,300 | 1,520,000 | 766,350 | 0 | 0 |
| 2017 | 0 | 15,300 | 1,565,000 | 721,326 | 0 | 0 |
| 2018 | 0 | 15,300 | 1,615,000 | 667,525 | 0 | 0 |
| 2019-2023 | 570,000 | 52,487 | 8,495,000 | 2,360,729 | 0 | 0 |
| 2024-2028 | 150,000 | 1,594 | 8,730,000 | 646,752 | 444,988 | 1,220,012 |
| Total | \$720,000 | \$130,581 | \$24,915,000 | \$6,839,420 | \$444,988 | \$1,220,012 |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

In fiscal year 2013, the School District defeased a portion of the 2005 classroom facilities bonds in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2013, \$23,530,000 of the defeased bonds are still outstanding.

Note 18 – 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 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. At June 30, 2013, the market value of the escrow account with fiscal agent is \$3,047,223. It is the assumption of the School District that the money in the sinking fund will be invested and earn enough interest to allow the lease to be paid in full in December 2020.

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

| Year ending June 30, | Building Lease |
|---|-------------------|
| 2014 | \$32,825 |
| 2015 | 32,825 |
| 2016 | 32,825 |
| 2017 | 32,825 |
| 2018 | 32,825 |
| 2019-2021 | 5,148,475 |
| Total Minimum Lease Payments | 5,312,600 |
| Less: Amount Representing Interest | (262,600) |
| 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 |
|----------------------|-------------|-----------|--------------------------|------------------------|
| 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 | 0 | 32,825 | 0 | 32,825 |
| 2019-2021 | 5,050,000 | 98,475 | 0 | 5,148,475 |
| | \$5,050,000 | \$262,600 | \$1,146,320 | \$6,458,920 |

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 19 - Jointly Governed Organizations

Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments 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. The degree of control exercised by any participating school district is limited to its representation on the Board. Each of the governments of these schools supports ACCESS based upon a per pupil charge before any e-rate credits, which was \$40.25 for fiscal year 2013. Youngstown City School District paid \$87,864 to ACCESS during fiscal year 2013. ACCESS 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 ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS 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.

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. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District did not contribute any amounts to the Tech Prep Consortium during fiscal year 2013.

Note 20 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

| | Capital Improvements |
|---|-------------------------|
| Set-Aside Balance as of June 30, 2012 | \$0 |
| Current Year Set-Aside Requirement | 960,771 |
| Offsets | (2,205,401) |
| Qualifying Disbursements | (492,551) |
| Total | (\$1,737,181) |
| Set-Aside Balance as of June 30, 2013 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 21 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

| | |
|--------------------------|-------------|
| <i>Major Funds:</i> | |
| General Fund | \$1,656,803 |
| Self Insurance Fund | \$23,117 |
| Other Governmental Funds | 1,958,194 |
| Agency Funds | 12,776 |
| Total | \$3,650,890 |

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

| 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 | - | \$ 256,808 | - | \$ 256,808 |
| <i>Cash Assistance:</i> | | | | | |
| School Breakfast Program | 10.553 | \$ 1,178,542 | | \$ 1,178,542 | |
| National School Lunch Program | 10.555 | 2,471,884 | | 2,471,884 | |
| Total Nutrition Cluster | | 3,650,426 | 256,808 | 3,650,426 | 256,808 |
| Fresh Fruit and Vegetable Program | 10.582 | 136,343 | | 136,343 | |
| Total U.S. Department of Agriculture | | 3,786,769 | 256,808 | 3,786,769 | 256,808 |
| <u>UNITED STATES DEPARTMENT OF DEFENSE</u> | | | | | |
| <i>Direct Program:</i> | | | | | |
| Junior Reserve Officer Training Corp | 12.000 | 49,073 | | 49,073 | |
| <u>UNITED STATES DEPARTMENT OF EDUCATION</u> | | | | | |
| <i>Direct Programs:</i> | | | | | |
| <i>Student Financial Aid Cluster:</i> | | | | | |
| Federal Pell Grant Program | 84.063 | 337,073 | | 337,073 | |
| Federal Direct Student Loans | 84.268 | 384,821 | | 384,821 | |
| <i>Subtotal - Student Financial Aid Cluster</i> | | 721,894 | | 721,894 | |
| <i>Passed Through Ohio Board of Regents:</i> | | | | | |
| Adult Education-Basic Grants to States | 84.002 | 716,256 | | 789,341 | |
| <i>Passed Through Ohio Department of Education.</i> | | | | | |
| <i>Special Education Cluster:</i> | | | | | |
| Special Education-Grants to States (IDEA, Part B) | 84.027 | 2,483,883 | | 2,463,458 | |
| Special Education-Preschool Grants | 84.173 | 100,847 | | 139,552 | |
| <i>Subtotal - Special Education Cluster</i> | | 2,584,730 | | 2,603,010 | |
| <i>Title 1, Part A Cluster:</i> | | | | | |
| Title I Grants to Local Educational Agencies (Title 1, Part A) | 84.010 | 5,816,018 | | 6,893,102 | |
| <i>Subtotal - Title 1 Part A Cluster</i> | | 5,816,018 | | 6,893,102 | |
| <i>School Improvement Grants Cluster.</i> | | | | | |
| School Improvement Grants (Title 1, Part G of the ESEA) | 84.377 | 205,000 | | 205,000 | |
| ARRA - School Improvement Grants, Recovery Act | 84.388 | 1,439,006 | | 1,528,014 | |
| ARRA - School Improvement Grants, Recovery Act - Refund | 84.388 | (184,483) | | - | |
| <i>Subtotal - School Improvement Grants Cluster</i> | | 1,459,523 | | 1,733,014 | |
| Career and Technical Education - Basic Grants to States | 84.048 | 336,341 | | 336,949 | |
| Career and Technical Education - Basic Grants to States - Refund | 84.048 | (27,526) | | - | |
| <i>Subtotal - Career and Technical Education</i> | | 308,815 | | 336,949 | |
| <i>Homeless Assistance Cluster:</i> | | | | | |
| Education for Homeless Children and Youth | 84.196 | 289,578 | | 119,876 | |
| <i>Subtotal - Homeless Assistance Cluster</i> | | 289,578 | | 119,876 | |
| Twenty-First Century Community Learning Centers | 84.287 | 606,837 | | 610,877 | |
| Twenty-First Century Community Learning Centers - Refunc | 84.287 | (97,219) | | - | |
| <i>Subtotal - Twenty-First Century Community Learning Centers</i> | | 509,618 | | 610,877 | |

YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

| 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 | 2,908 | | 12,724 | |
| English Language Acquisition Grants (Title III) | 84.365 | 62,442 | | 80,892 | |
| Improving Teacher Quality State Grants (Title II-A) | 84.367 | 958,994 | | 1,221,418 | |
| Education Jobs Fund | 84.410 | - | | 3,015 | |
| ARRA - Race-to-the-Top Incentive Grants, Recovery Act (Education Stabilization Fund) | 84.395 | 85,845 | | 61,987 | |
| Total U.S. Department of Education | | <u>13,516,621</u> | | <u>15,188,099</u> | |
| Total Federal Awards Receipts and Expenditures | | <u>\$ 17,352,463</u> | <u>\$ 256,808</u> | <u>\$ 19,023,941</u> | <u>\$ 256,808</u> |

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

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures 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 the fair value. 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) and Ohio Board of Regent's 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 the Ohio Department of Education and the Ohio Board of Regents approves between the cost centers. During fiscal year 2013, the District obtained approval for the following transfer:

| <u>PROGRAM TITLE</u> | <u>CFDA NUMBER</u> | <u>AMOUNT TRANSFERRED FROM 2012 TO 2013</u> |
|---|------------------------|---|
| ADULT EDUCATION | 84.002 | \$17,843 |
| TITLE I | 84.010 | \$101,747 |
| EDUCATION TECHNOLOGY, TITLE II-D | 84.318 | \$1,477 |
| ENGLISH LANGUAGE ACQUISITION, TITLE III | 84.365 | \$1,014 |
| IMPROVING TEACHER QUALITY, TITLE II-A | 84.367 | \$53,139 |
| RACE-TO-THE-TOP | 84.395 | \$7,962 |

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 44503

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 31, 2014, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statements No.63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and No.65, "items previously reported as Assets and Liabilities".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 instance of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 31, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Youngstown City School District's (the District) compliance with the applicable 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 the Youngstown City School District's major federal programs for the year ended June 30, 2013. The *Summary of Auditor Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Youngstown City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2013-002. This finding did not require us to modify our compliance opinion on each major federal program.

The District's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable 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.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

July 31, 2014

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| (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? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Student Financial Aid Cluster (CFDA #84.063/84.268), Title I (CFDA #84.010), Special Education Cluster (CFDA #84.027/84.173), Twenty First Century Grant (CFDA # 84.287), School Improvement Cluster (CFDA # 84.377/84.388) and Adult Education (CFDA # 84.002) |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 578,422 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**

FINDING NUMBER 2013-001

Cash Reconciliation – Material Weakness

The reconciliation of the accounting records of the District to the cash and investment (bank) balances is the most basic and primary control process performed by the fiscal officer of an organization. Lack of completing an accurate and timely reconciliation allows for accounting errors, theft and fraud to occur without timely detection. The Treasurer is responsible for reconciling the District's book (fund) balance to the total bank balance on a monthly basis.

During our examination of the District's cash reconciliation process, we identified the following concerns:

- The District had a \$1,422,180 adjustment listed on their Cash Reconciliation. Documentation to support this adjustment identified on the reconciliation was not maintained.
- We identified one payroll check issued 06/28/13 that was excluded from the District's total outstanding payroll checks. This resulted in the District's cash fund balance being overstated by \$39,753.
- We also noted that the ending cash balances used on the District's Cash Reconciliation for the Athletic Account and Piper Jaffray account did not agree to the amounts provided on the bank confirmations. The District used the June 1, 2013 balance on their Cash Reconciliation rather than the June 30, 2013 balance for the Athletic Account. If the reconciliations were properly prepared, this situation would have been identified and properly corrected by the Treasurer.
- The District identified 4 receipts ranging from \$167,450 to \$285,145 in which the District posted Self Insurance Expenditures as a receipt. Upon further review, each amount was also posted as an expenditure of the 024 Self Insurance fund. The expenditure was correct and the receipt posting should not have been made. In total the District needed to reverse \$906,969. In addition, one expenditure for workers' compensation was never posted to the ledgers in the amount totaling \$376,479.

The net effect of these errors resulted in the District's cash fund balances exceeding their depository balances by an initial amount of \$1,477,695. After additional follow-up procedures were performed by the District, the amount of adjustment to reconcile was reduced to \$12,777.

The Treasurer should maintain all bank statements and supporting documentation used to prepare the monthly cash reconciliations. The District should continue to investigate their financial records to determine the origin of the variance, and take corrective action to help ensure this situation does not occur in the future.

Official's Response:

See corrective action plan.

3. FINDINGS FOR FEDERAL AWARDS

| | |
|------------------------------------|---|
| Finding Number | 2013-002 |
| CFDA Title and Number | Student Financial Aid Cluster (84.063/84.268) Title I (84.010) Special Education Cluster (84.027/84.173) Twenty First Century Grant (84.287) School Improvement Cluster (84.377/84.388) Adult Education (84.002) |
| Federal Award Number / Year | 2013 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

NONCOMPLIANCE

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.

The District filed its June 30, 2012 data collection form and reporting package on August 9, 2013.

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:

See corrective action plan.

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**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2012-01 | During testing of the School Improvement Grant, the District purchased video games in the amount totaling \$270 and the District was unable to provide time sheets for hours worked at Chaney High School which were charged to the grant in the amount of \$402. These errors caused a projected error totaling \$11,654. | Yes | |
| 2012-02 | During testing of the Improving Teacher Quality Grant, it was noted that four employee's salaries were charged to Fund 590, but those employees were not included on the District's ITQ semi-annual certification list. In addition, 18 employees were incorrectly charged to Fund 590. | Yes | |
| 2012-03 | The District failed to file its June 30, 2012 data collection form and reporting package by March 31, 2013. | No | Repeat for the current audit, see Finding # 2013-002 |

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**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2013-001 | <p>The District hired the Accounting firm Schneider Downs in March of 2014 to assist in getting caught up in the reconciliations for fiscal year 2013. The Accountant position in the Treasurer's office has continued that work through June 2014 and will be responsible for monthly reconcilements in the future. A one page reconciliation report will be included in the monthly financial report to the Board of Education beginning in August of 2014.</p> | July 31, 2014 | James Reinhard, Treasurer |
| 2013-002 | <p>We would like to have a meeting with the Youngstown City Schools Treasurer, Assistant Treasurer, and Accountant and the audit team from the State Auditor's Office prior to commencing the fiscal year 2014 audit. The purpose of the meeting will be to establish a mutual timeline that will have the audit completed, including the Post Audit Conference by March 1, 2015.</p> | September 15, 2014 | James Reinhard, Treasurer |

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Youngstown City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on June 26, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

July 31, 2014

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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
OCTOBER 9, 2014**