



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
474 Bennington Avenue
P.O. Box 550
Youngstown, Ohio 44505

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, 2017, 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 such 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, 2017, 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.

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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*, and schedules of net pension liabilities and pension contributions 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 and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 30, 2018

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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, 2017. 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 2017 fiscal year are as follows:

- Net position decreased in fiscal year 2017 primarily due to an increase in the net pension liability, which was partially offset by changes in deferred outflows of resources and deferred inflows of resources associated with the unfunded pension liabilities specific to the State Teachers Retirement System (STRS) and the State Employees Retirement System (SERS). Net position also decreased due to a decrease in net capital assets resulting from current year deletions and depreciation exceeding current year additions. The decrease in net position was partially offset by an increase in cash and cash equivalents and property taxes receivable as well as by a drop in outstanding long-term debt obligations.
- Capital asset additions included construction in progress work on a HVAC system at the high-school building, instructional equipment and the purchase of six school buses.
- Long-term debt obligations decreased due to annual debt payments on general obligation bonds.

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 2017?" 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, 2017
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 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are 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

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, 2017
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 2017 compared to 2016:

Table 1
 Net Position
 Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	\$76,288,868	\$75,221,895	\$1,066,973
Capital Assets, Net	134,462,898	138,202,578	(3,739,680)
Total Assets	210,751,766	213,424,473	(2,672,707)
Deferred Outflows of Resources			
Pension	27,634,067	13,753,278	13,880,789
Liabilities			
Current Liabilities	11,561,740	10,831,751	(729,989)
Long-Term Liabilities			
Due Within One Year	2,127,699	2,051,762	(75,937)
Due in More Than One Year			
Net Pension Liability	140,791,375	118,135,601	(22,655,774)
Other Amounts	30,791,277	32,657,173	1,865,896
Total Liabilities	185,272,091	163,676,287	(21,595,804)
Deferred Inflows of Resources			
Property Taxes	25,804,972	25,202,668	(602,304)
Pension	2,880,347	7,536,041	4,655,694
Total Deferred Inflows of Resources	28,685,319	32,738,709	4,053,390
Net Position			
Net Investment in Capital Assets	112,471,406	114,344,087	(1,872,681)
Restricted for:			
Capital Projects	825,097	742,939	82,158
Debt Service	4,328,877	4,211,913	116,964
Other Purposes	8,918,108	9,137,227	(219,119)
Unrestricted (Deficit)	(102,115,065)	(97,673,411)	(4,441,654)
Total Net Position	\$24,428,423	\$30,762,755	(\$6,334,332)

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting, however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective.

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability portion of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Youngstown City School District
Management's Discussion and Analysis
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Unaudited

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Current assets increased due to an increase in cash and cash equivalents resulting from a rise in property tax revenues and Medicaid reimbursement monies. Current assets also increased due to an increase in property taxes receivable. The decrease in capital assets was due to an additional year of depreciation. This decrease was partially offset by current year additions to construction in progress, equipment and vehicles.

Current liabilities increased in fiscal year 2017 due to an increase in accrued wages and benefits resulting from the timing of payroll dates. As of June 30, 2017, there were five payrolls remaining on the teacher contracts versus only four payrolls remaining at the end of the prior fiscal year. Long-term debt obligations decreased during fiscal year 2017 due to annual payments on the School District's general obligation bonds.

Table 2 shows the changes in net position from fiscal year 2017 to 2016.

Table 2
Change in Net Position
Governmental Activities

	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services	\$1,990,889	\$1,441,691	\$549,198
Operating Grants and Contributions	31,639,751	31,158,970	480,781
Capital Grants and Contributions	5,000	448,269	(443,269)
<i>Total Program Revenues</i>	<u>33,635,640</u>	<u>33,048,930</u>	<u>586,710</u>
General Revenues			
Property Taxes	24,820,952	23,851,667	969,285
Grants and Entitlements	84,406,305	83,275,919	1,130,386
Payment in Lieu of Taxes	0	732,341	(732,341)
Unrestricted Contributions	78,198	14,134	64,064
Investment Earnings	272,439	384,377	(111,938)
Miscellaneous	428,198	323,738	104,460
<i>Total General Revenues</i>	<u>110,006,092</u>	<u>108,582,176</u>	<u>1,423,916</u>
<i>Total Revenues</i>	<u>\$143,641,732</u>	<u>\$141,631,106</u>	<u>\$2,010,626</u>

(continued)

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2
Change in Net Position (continued)
Governmental Activities

	2017	2016	Change
Program Expenses			
Instruction:			
Regular	\$75,135,054	\$69,065,322	(\$6,069,732)
Special	11,393,626	11,346,538	(47,088)
Vocational	1,666,801	1,878,825	212,024
Adult/Continuing	1,000,475	1,098,323	97,848
Student Intervention Services	3,153,141	2,896,834	(256,307)
Support Services:			
Pupil	6,083,712	5,360,865	(722,847)
Instructional Staff	6,863,330	5,718,794	(1,144,536)
Board of Education	133,921	327,335	193,414
Administration	11,081,578	8,700,270	(2,381,308)
Fiscal	1,847,116	1,526,401	(320,715)
Business	1,096,308	1,002,129	(94,179)
Operation and Maintenance of Plant	12,160,932	10,911,489	(1,249,443)
Pupil Transportation	7,811,958	6,259,323	(1,552,635)
Central	1,357,151	1,217,857	(139,294)
Operation of Non-Instructional Services	3,735,483	2,946,590	(788,893)
Food Service Operation	3,731,539	3,651,924	(79,615)
Extracurricular Activities	1,223,699	1,130,196	(93,503)
Interest and Fiscal Charges	500,240	522,063	21,823
<i>Total Program Expenses</i>	<u>149,976,064</u>	<u>135,561,078</u>	<u>(14,414,986)</u>
<i>Increase (Decrease) in Net Position</i>	(6,334,332)	6,070,028	(12,404,360)
Net Position Beginning of Year	<u>30,762,755</u>	<u>24,692,727</u>	<u>6,070,028</u>
Net Position End of Year	<u>\$24,428,423</u>	<u>\$30,762,755</u>	<u>(\$6,334,332)</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 2017, Medicaid reimbursement monies and property taxes increased. Property tax revenues were higher as a result of an increase in assessed values and higher delinquency tax collections.

Program expenses increased in fiscal year 2017 due to higher pension expenses relating to the net pension liability as well as to higher purchased services and capital outlay expenditures.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

During fiscal year 2017 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>
2017	\$518,556,720	0.52 %
2016	515,891,700	4.80
2015	492,285,710	(3.17)
2014	508,405,300	(1.26)
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	

The average rate of growth over the last 10 years is (2.38) 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, 2017
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program Expenses				
Instruction:				
Regular	\$75,135,054	(\$73,838,371)	\$69,065,322	(\$67,532,469)
Special	11,393,626	1,705,468	11,346,538	1,339,072
Vocational	1,666,801	(364,737)	1,878,825	(943,647)
Adult/Continuing	1,000,475	(44,350)	1,098,323	(229,242)
Student Intervention Services	3,153,141	(1,653,495)	2,896,834	(891,094)
Support Services:				
Pupil	6,083,712	(4,173,414)	5,360,865	(3,424,711)
Instructional Staff	6,863,330	(3,925,315)	5,718,794	(3,133,558)
Board of Education	133,921	(133,921)	327,335	(327,335)
Administration	11,081,578	(9,561,783)	8,700,270	(7,616,500)
Fiscal	1,847,116	(1,847,116)	1,526,401	(1,526,401)
Business	1,096,308	(1,096,308)	1,002,129	(1,002,129)
Operation and Maintenance of Plant	12,160,932	(11,423,988)	10,911,489	(10,336,214)
Pupil Transportation	7,811,958	(7,125,897)	6,259,323	(4,855,826)
Central	1,357,151	(1,335,551)	1,217,857	(1,196,257)
Operation of Non-Instructional Services	3,735,483	(444,995)	2,946,590	412,578
Food Service Operation	3,731,539	578,407	3,651,924	342,729
Extracurricular Activities	1,223,699	(1,154,818)	1,130,196	(1,069,081)
Interest and Fiscal Charges	500,240	(500,240)	522,063	(522,063)
<i>Total</i>	<u>\$149,976,064</u>	<u>(\$116,340,424)</u>	<u>\$135,561,078</u>	<u>(\$102,512,148)</u>

The School District's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in fund balance due to increases in the cost of instructional activities and support services. The increase in these costs was mainly attributable to higher purchased service costs relating to professional and technical services and pupil transportation services as well as tuition paid to other districts. The bond retirement fund had a slight decrease in fund balance due to a drop in intergovernmental revenues.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

General Fund Revenues and Expenditures
(Modified Accrual)

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues			
Property Taxes	\$22,000,190	\$21,257,931	\$742,259
Intergovernmental	95,975,773	95,120,025	855,748
Interest	151,386	280,217	(128,831)
Payment in Lieu of Taxes	0	732,341	(732,341)
Other Revenues	1,322,620	880,929	441,691
<i>Total</i>	<u><u>\$119,449,969</u></u>	<u><u>\$118,271,443</u></u>	<u><u>\$1,178,526</u></u>
Expenditures			
Instruction	\$81,961,687	\$78,383,380	(\$3,578,307)
Support Services	37,914,050	33,447,726	(4,466,324)
Operation of Non-Instructional Services	169,298	131,502	(37,796)
Extracurricular Activities	543,476	457,810	(85,666)
<i>Total</i>	<u><u>\$120,588,511</u></u>	<u><u>\$112,420,418</u></u>	<u><u>(\$8,168,093)</u></u>

General Fund Budgeting Highlights

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

For the general fund, the final budget basis revenue was lower than the original budget estimate due mainly to a drop in intergovernmental monies. Actual revenues closely matched the final budgeted amount.

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, 2017
Unaudited

Capital Assets and Debt Administration

Capital Assets

The following table shows fiscal 2017 balances compared to 2016.

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

	2017	2016	Change
Land	\$1,002,781	\$1,002,781	\$0
Construction in Progress	17,480	0	17,480
Buildings and Improvements	130,636,111	135,026,857	(4,390,746)
Furniture and Equipment	1,536,891	1,027,181	509,710
Vehicles	1,269,635	1,145,759	123,876
<i>Total Capital Assets</i>	<u>\$134,462,898</u>	<u>\$138,202,578</u>	<u>(\$3,739,680)</u>

Capital assets decreased during fiscal year 2017 due to an additional year of depreciation. This decrease was partially offset by current year additions to construction in progress on a HVAC system and the purchase of various furniture and equipment and six new school buses. For more information about the School District's capital assets, see Note 11 to the basic financial statements.

Long-term Obligations

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

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

	2017	2016	Change
Classroom Facilities Bonds	\$22,127,773	\$23,973,973	(\$1,846,200)
Net Pension Liability	140,791,375	118,135,601	22,655,774
Capital Leases	5,050,000	5,050,000	0
Claims	212,068	193,801	18,267
Compensated Absences	5,529,135	5,491,161	37,974
Total	<u>\$173,710,351</u>	<u>\$152,844,536</u>	<u>\$20,865,815</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 16 to the basic financial statements.

Youngstown City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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. 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.

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 the Treasurer's office, Youngstown City School District, 20 W. Wood St., PO Box 550, Youngstown, OH 44503, 330-744-6996.

Basic Financial Statements

Youngstown City School District

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$38,395,251
Cash and Cash Equivalents With Fiscal Agents	4,689,902
Accounts Receivable	16,489
Accrued Interest Receivable	26,394
Intergovernmental Receivable	4,216,349
Prepaid Items	252,404
Inventory Held for Resale	168,875
Materials and Supplies Inventory	456,058
Property Taxes Receivable	28,067,146
Nondepreciable Capital Assets	1,020,261
Depreciable Capital Assets, net	<u>133,442,637</u>
<i>Total Assets</i>	<u>210,751,766</u>
Deferred Outflows of Resources	
Pension	<u>27,634,067</u>
Liabilities	
Accounts Payable	830,926
Contracts Payable	167,177
Accrued Wages and Benefits	7,839,783
Intergovernmental Payable	2,191,289
Matured Compensated Absences Payable	459,682
Accrued Interest Payable	72,883
Long-Term Liabilities:	
Due Within One Year	2,127,699
Due In More Than One Year	
Net Pension Liability (See Note 13)	140,791,375
Other Amounts	<u>30,791,277</u>
<i>Total Liabilities</i>	<u>185,272,091</u>
Deferred Inflows of Resources	
Property Taxes	25,804,972
Pension	<u>2,880,347</u>
<i>Total Deferred Inflows of Resources</i>	<u>28,685,319</u>
Net Position	
Net Investment in Capital Assets	112,471,406
Restricted for:	
Capital Projects	825,097
Debt Service	4,328,877
Other Purposes	8,918,108
Unrestricted (Deficit)	<u>(102,115,065)</u>
<i>Total Net Position</i>	<u>\$24,428,423</u>

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Revenue and Changes in Net Position
Governmental Activities:					
Instruction:					
Regular	\$75,135,054	\$674,750	\$621,933	\$0	(\$73,838,371)
Special	11,393,626	76,526	13,022,568	0	1,705,468
Vocational	1,666,801	22,941	1,279,123	0	(364,737)
Adult/Continuing	1,000,475	481,716	474,409	0	(44,350)
Student Intervention Services	3,153,141	11,344	1,488,302	0	(1,653,495)
Support Services:					
Pupil	6,083,712	74,166	1,836,132	0	(4,173,414)
Instructional Staff	6,863,330	3,766	2,934,249	0	(3,925,315)
Board of Education	133,921	0	0	0	(133,921)
Administration	11,081,578	22,915	1,496,880	0	(9,561,783)
Fiscal	1,847,116	0	0	0	(1,847,116)
Business	1,096,308	0	0	0	(1,096,308)
Operation and Maintenance of Plant	12,160,932	168,892	568,052	0	(11,423,988)
Pupil Transportation	7,811,958	0	686,061	0	(7,125,897)
Central	1,357,151	0	21,600	0	(1,335,551)
Operation of Non-Instructional Services	3,735,483	0	3,290,488	0	(444,995)
Food Service Operation	3,731,539	395,983	3,913,963	0	578,407
Extracurricular Activities	1,223,699	57,890	5,991	5,000	(1,154,818)
Interest and Fiscal Charges	500,240	0	0	0	(500,240)
<i>Total Governmental Activities</i>	<u>\$149,976,064</u>	<u>\$1,990,889</u>	<u>\$31,639,751</u>	<u>\$5,000</u>	<u>(116,340,424)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	22,099,381
Debt Service	2,070,986
Capital Projects	444,764
Other Purposes	205,821
Grants and Entitlements not	
Restricted to Specific Programs	84,406,305
Unrestricted Contributions	78,198
Investment Earnings	272,439
Miscellaneous	428,198
<i>Total General Revenues</i>	<u>110,006,092</u>
Change in Net Position	(6,334,332)
<i>Net Position Beginning of Year</i>	<u>30,762,755</u>
<i>Net Position End of Year</i>	<u>\$24,428,423</u>

See accompanying notes to the basic financial statements

Youngstown City School District

Balance Sheet

Governmental Funds

June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$22,811,336	\$4,054,848	\$9,090,903	\$35,957,087
Cash and Cash Equivalents With Fiscal Agents	0	0	4,689,902	4,689,902
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	397,004	0	0	397,004
Property Taxes Receivable	25,497,678	2,331,553	237,915	28,067,146
Accounts Receivable	16,489	0	0	16,489
Accrued Interest Receivable	26,394	0	0	26,394
Interfund Receivable	1,840,003	430,000	0	2,270,003
Intergovernmental Receivable	745,497	0	3,144,484	3,889,981
Prepaid Items	29,806	0	0	29,806
Materials and Supplies Inventory	400,785	0	55,273	456,058
Inventory Held for Resale	0	0	168,875	168,875
<i>Total Assets</i>	<u>\$51,764,992</u>	<u>\$6,816,401</u>	<u>\$17,387,352</u>	<u>\$75,968,745</u>
Liabilities				
Accounts Payable	\$581,300	\$0	\$249,626	\$830,926
Contracts Payable	41,354	0	125,823	167,177
Accrued Wages and Benefits	6,756,952	0	1,081,730	7,838,682
Interfund Payable	0	0	2,270,003	2,270,003
Intergovernmental Payable	2,006,070	0	184,972	2,191,042
Matured Compensated Absences Payable	438,811	0	20,871	459,682
Accrued Interest Payable	0	0	13,402	13,402
<i>Total Liabilities</i>	<u>9,824,487</u>	<u>0</u>	<u>3,946,427</u>	<u>13,770,914</u>
Deferred Inflows of Resources				
Property Taxes	23,442,600	2,143,633	218,739	25,804,972
Unavailable Revenue	1,980,195	155,024	1,223,450	3,358,669
<i>Total Deferred Inflows of Resources</i>	<u>25,422,795</u>	<u>2,298,657</u>	<u>1,442,189</u>	<u>29,163,641</u>
Fund Balances				
Nonspendable	827,595	0	55,273	882,868
Restricted	0	4,517,744	13,583,774	18,101,518
Committed	489,101	0	0	489,101
Assigned	4,884,099	0	0	4,884,099
Unassigned (Deficit)	10,316,915	0	(1,640,311)	8,676,604
<i>Total Fund Balances</i>	<u>16,517,710</u>	<u>4,517,744</u>	<u>11,998,736</u>	<u>33,034,190</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$51,764,992</u>	<u>\$6,816,401</u>	<u>\$17,387,352</u>	<u>\$75,968,745</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, 2017*

Total Governmental Fund Balances		\$33,034,190
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		134,462,898
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	1,866,174	
Grants	1,485,860	
Tuition and Fees	6,635	
Total		3,358,669
Internal service funds are used by management to charge the costs of insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Net Position	2,376,710	
Claims Payable	212,068	
Total		2,588,778
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(59,481)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	27,634,067	
Deferred Inflows - Pension	(2,880,347)	
Net Pension Liability	(140,791,375)	
Total		(116,037,655)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Classroom Facilities Bonds	(22,127,773)	
Capital Lease	(5,050,000)	
Claims Payable	(212,068)	
Compensated Absences	(5,529,135)	
Total		(32,918,976)
<i>Net Position of Governmental Activities</i>		\$24,428,423

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, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$22,000,190	\$2,062,601	\$649,729	\$24,712,520
Intergovernmental	95,975,773	291,049	21,067,051	117,333,873
Interest	151,386	0	121,053	272,439
Tuition and Fees	771,066	0	494,327	1,265,393
Extracurricular Activities	19,082	0	60,967	80,049
Contributions and Donations	78,198	0	137,002	215,200
Charges for Services	0	0	392,106	392,106
Rentals	79,982	0	166,724	246,706
Miscellaneous	374,292	0	53,802	428,094
<i>Total Revenues</i>	<u>119,449,969</u>	<u>2,353,650</u>	<u>23,142,761</u>	<u>144,946,380</u>
Expenditures				
Current:				
Instruction:				
Regular	71,093,912	0	688,626	71,782,538
Special	8,118,448	0	2,518,897	10,637,345
Vocational	1,573,881	0	56,997	1,630,878
Adult/Continuing	0	0	974,110	974,110
Student Intervention Services	1,175,446	0	1,645,980	2,821,426
Support Services:				
Pupil	3,698,782	0	1,954,654	5,653,436
Instructional Staff	3,145,824	0	3,283,905	6,429,729
Board of Education	130,781	0	0	130,781
Administration	8,638,333	0	1,509,073	10,147,406
Fiscal	1,679,309	70,714	6,884	1,756,907
Business	1,058,082	0	0	1,058,082
Operation and Maintenance of Plant	10,672,054	0	1,058,853	11,730,907
Pupil Transportation	7,589,184	0	164,931	7,754,115
Central	1,301,701	0	21,600	1,323,301
Operation of Non-Instructional Services	169,298	0	3,422,960	3,592,258
Food Service Operation	0	0	3,688,488	3,688,488
Extracurricular Activities	543,476	0	110,453	653,929
Capital Outlay	0	0	19,307	19,307
Debt Service:				
Principal Retirement	0	1,565,000	0	1,565,000
Interest and Fiscal Charges	0	736,625	48,624	785,249
<i>Total Expenditures</i>	<u>120,588,511</u>	<u>2,372,339</u>	<u>21,174,342</u>	<u>144,135,192</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,138,542)</u>	<u>(18,689)</u>	<u>1,968,419</u>	<u>811,188</u>
Other Financing Sources (Uses)				
Proceeds from the Sale of Capital Assets	0	0	3,677	3,677
Transfers In	0	0	82,240	82,240
Transfers Out	(82,240)	0	0	(82,240)
<i>Total Other Financing Sources (Uses)</i>	<u>(82,240)</u>	<u>0</u>	<u>85,917</u>	<u>3,677</u>
<i>Net Change in Fund Balances</i>	<u>(1,220,782)</u>	<u>(18,689)</u>	<u>2,054,336</u>	<u>814,865</u>
<i>Fund Balances Beginning of Year</i>	<u>17,738,492</u>	<u>4,536,433</u>	<u>9,944,400</u>	<u>32,219,325</u>
<i>Fund Balances End of Year</i>	<u>\$16,517,710</u>	<u>\$4,517,744</u>	<u>\$11,998,736</u>	<u>\$33,034,190</u>

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, 2017*

Net Change in Fund Balances - Total Governmental Funds \$814,865

*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	1,331,411	
Current Year Depreciation	(5,058,166)	
Total		(3,726,755)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (12,925)

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

Delinquent Property Taxes	108,432	
Grants	(1,746,187)	
Tuition and Fees	6,635	
Total		(1,631,120)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. 1,565,000

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

Compensated Absences	(37,974)	
Claims Payable	(18,267)	
Total		(56,241)

The internal service funds used by management to charge the costs of insurance and workers' compensation to individual funds are 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 funds are allocated among the governmental activities.

Change in Net Position	528,859	
Claims Payable	18,267	
Total		547,126

Contractual required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 7,129,992

Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the statement of activities. (11,249,283)

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	3,809	
Bond Accretion	(56,030)	
Bond Premium Amortization	337,230	
Total		285,009

Change in Net Position of Governmental Activities (\$6,334,332)

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$21,900,000	\$22,560,000	\$22,563,490	\$3,490
Intergovernmental	96,600,000	95,745,000	95,779,348	34,348
Interest	200,000	175,000	176,922	1,922
Tuition and Fees	700,000	534,000	537,804	3,804
Extracurricular Activities	0	800	800	0
Charges for Services	150,000	50,000	0	(50,000)
Rentals	0	48,700	50,092	1,392
Miscellaneous	298,100	287,600	298,053	10,453
<i>Total Revenues</i>	119,848,100	119,401,100	119,406,509	5,409
Expenditures				
Current:				
Instruction:				
Regular	66,771,976	69,770,530	69,390,932	379,598
Special	10,016,843	8,209,359	8,187,271	22,088
Vocational	1,818,069	1,545,210	1,538,983	6,227
Student Intervention Services	690,035	1,039,382	1,037,982	1,400
Support Services:				
Pupil	3,161,001	3,723,475	3,702,202	21,273
Instructional Staff	3,271,194	3,522,854	3,504,336	18,518
Board of Education	345,475	157,974	151,153	6,821
Administration	7,356,114	8,901,894	8,811,055	90,839
Fiscal	1,498,471	1,676,243	1,672,750	3,493
Business	1,017,856	1,277,290	1,250,575	26,715
Operation and Maintenance of Plant	10,091,738	10,918,934	10,778,993	139,941
Pupil Transportation	5,262,364	7,218,180	7,112,146	106,034
Central	1,962,548	1,689,561	1,311,124	378,437
Operation of Non-Instructional Services	140,496	140,350	137,322	3,028
Extracurricular Activities	461,340	595,818	546,463	49,355
Debt Service:				
Principal	817,933	416,000	416,000	0
Interest	42,466	28,764	28,764	0
<i>Total Expenditures</i>	114,725,919	120,831,818	119,578,051	1,253,767
<i>Excess of Revenues Over (Under) Expenditures</i>	5,122,181	(1,430,718)	(171,542)	1,259,176
Other Financing Sources (Uses)				
Advances In	0	1,697,376	1,697,376	0
Advances Out	(865,807)	(233,062)	(107,866)	125,196
Transfers Out	(106,240)	(106,240)	(106,240)	0
<i>Total Other Financing Sources (Uses)</i>	(972,047)	1,358,074	1,483,270	125,196
<i>Net Change in Fund Balance</i>	4,150,134	(72,644)	1,311,728	1,384,372
<i>Fund Balance Beginning of Year</i>	20,766,500	20,766,500	20,766,500	0
Prior Year Encumbrances Appropriated	1,447,993	1,447,993	1,447,993	0
<i>Fund Balance End of Year</i>	\$26,364,627	\$22,141,849	\$23,526,221	\$1,384,372

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Fund Net Position
Internal Service Funds
June 30, 2017

	Internal Service
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,041,160
Intergovernmental Receivable	326,368
Prepaid Items	222,598
<i>Total Assets</i>	2,590,126
Liabilities	
<i>Current Liabilities:</i>	
Accrued Wages and Benefits	1,101
Intergovernmental Payable	247
Claims Payable	53,017
Total Current Liabilities	54,365
<i>Long-Term Liabilities</i>	
Claims Payable	159,051
<i>Total Liabilities</i>	213,416
Net Position	
Unrestricted	\$2,376,710

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, 2017*

	Internal Service
Operating Revenues	
Charges for Services	\$817,504
Miscellaneous	104
	817,608
<i>Total Operating Revenues</i>	<i>817,608</i>
Operating Expenses	
Salaries	18,920
Fringe Benefits	324,539
Purchased Services	18,607
Claims	253,051
	615,117
<i>Total Operating Expenses</i>	<i>615,117</i>
<i>Operating Income</i>	<i>202,491</i>
Non-Operating Revenues	
Grants	326,368
	528,859
<i>Change in Net Position</i>	<i>528,859</i>
<i>Net Position Beginning of Year</i>	<i>1,847,851</i>
<i>Net Position End of Year</i>	<i>\$2,376,710</i>

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, 2017

	Internal Service
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$817,504
Other Cash Receipts	104
Cash Payments to Employees for Services and Benefits	(565,911)
Cash Payments for Goods and Services	(18,607)
Cash Payments for Claims	(234,784)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(1,694)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,042,854
<i>Cash and Cash Equivalents End of Year</i>	\$2,041,160
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$202,491
Adjustments:	
(Increase) Decrease in Assets:	
Prepaid Items	(222,598)
Increase (Decrease) in Liabilities:	
Accrued Wages and Benefits	114
Intergovernmental Payable	32
Claims Payable	18,267
Total Adjustments	(204,185)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$1,694)

See accompanying notes to the basic financial statements

Youngstown City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$102,244	\$293,280
Liabilities		
Undistributed Monies	0	\$86,977
Due to Students	0	206,303
<i>Total Liabilities</i>	0	\$293,280
Net Position		
Held in Trust for Scholarships	\$102,244	

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, 2017

	Scholarship
Additions	
Contributions and Donations	\$2,700
Deductions	
Scholarships Awarded	94,511
<i>Change in Net Position</i>	(91,811)
<i>Net Position Beginning of Year</i>	194,055
<i>Net Position End of Year</i>	\$102,244

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, 2017

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. On June 29, 2016, Mr. Krish Mohip took office as Chief Executive Officer (CEO) of the District. The CEO is appointed by the Academic Distress Commission and has broad authority over the operation of the School District and the Board of Education. The School District's instructional and support facilities are staffed by 510 non-certified employees, 527 certified full-time teaching personnel and 62 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 2017 fiscal year was 5,123. The School District operates six elementary schools, one grades 3 through 8 school, one middle school, one early college middle school, 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 and one shared risk pool. These organizations are the Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments, the Tech Prep Consortium and the Stark County Schools Council of Governments Health Benefits Program. These organizations are discussed in Notes 19 and 20 to the basic financial statements.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 funds 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 funds are 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, 2017

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 is used to account for and report 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 utilizes internal service funds to account for any unanticipated run-off health insurance claims and to report on the self-insurance program for 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, 2017

Like the government-wide statements, the internal service funds are 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 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred 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 represent 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 are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

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 until that time. For the School District, deferred inflows of resources

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

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 2017, investments were limited to STAR Ohio, money market mutual funds, federal home loan bank bonds, federal farm credit bank notes, federal home loan mortgage corporation notes, federal national mortgage association notes, commercial paper and negotiable certificates of deposit.

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.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$151,386, of which \$54,742 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, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. Restricted assets in the general fund include resources restricted for unclaimed monies.

Capital Assets

All capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 acquisition 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, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

Accrued Liabilities and Long-term Obligations

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

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

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, 2017

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. The Board of Education assigned fund balance for pupil support services. The Board of Education assigned fund balance for instruction and extracurricular activities and to cover a gap between estimated revenue and appropriations in the fiscal year 2018 budget.

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 and workers’ compensation 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, 2017

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 and after non-operating revenues/expenses in the internal service 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 – Fund Deficits

Fund balances at June 30, 2017, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Adult Education	\$894,021
Public Preschool	5,244
Miscellaneous State Grants	1,268
Adult Basic Education	103,550
Race to the Top	89,305
Vocational Education	9,461
Reducing Class Size	78,234
Miscellaneous Federal Grants	15,826
<i>Capital Projects Fund:</i>	
Building	443,402

The special revenue funds and the capital projects fund 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, 2017

Note 4 - Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepays	\$29,806	\$0	\$0	\$29,806
Materials and Supplies Inventory	400,785	0	55,273	456,058
Unclaimed Monies	397,004	0	0	397,004
<i>Total Nonspendable</i>	827,595	0	55,273	882,868
<i>Restricted for</i>				
Food Service Operations	0	0	2,227,247	2,227,247
Student Enrichment	0	0	224,163	224,163
Classroom Facilities Maintenance	0	0	4,567,648	4,567,648
Athletics	0	0	44,085	44,085
Non-Public Schools	0	0	709,798	709,798
Data Communications	0	0	41,400	41,400
Entry Year Programs	0	0	200	200
Vocational/Alternative Schools	0	0	6,079	6,079
Instructional Services	0	0	84,153	84,153
Limited English Proficiency	0	0	6,765	6,765
Special Education	0	0	152,557	152,557
Preschool Education	0	0	4,680	4,680
Debt Service Payments	0	4,517,744	0	4,517,744
Capital Improvements	0	0	5,514,999	5,514,999
<i>Total Restricted</i>	0	4,517,744	13,583,774	18,101,518
<i>Committed to</i>				
Educational Service Center Services	26,526	0	0	26,526
Consulting & Legal Services	462,575	0	0	462,575
<i>Total Committed</i>	489,101	0	0	489,101
<i>Assigned to</i>				
Fiscal Year 2018 Operations	4,386,458	0	0	4,386,458
Purchases on Order:				
Instruction	8,446	0	0	8,446
Support Services	403,563	0	0	403,563
Pupil Support Services	85,632	0	0	85,632
<i>Total Assigned</i>	4,884,099	0	0	4,884,099
<i>Unassigned (Deficit)</i>	10,316,915	0	(1,640,311)	8,676,604
<i>Total Fund Balances (Deficit)</i>	\$16,517,710	\$4,517,744	\$11,998,736	\$33,034,190

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. A Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual is presented in the basic financial statements for the general fund and the major special revenue 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. Unrecorded cash represents amounts received but not reported by the School District on the budgetary statements, but which is reported on the GAAP basis operating statements.
4. Investments are reported at cost (budget) rather than fair value (GAAP).
5. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
6. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
7. 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	
	General
GAAP Basis	(\$1,220,782)
Revenue Accruals	64,434
Advances In	1,697,376
Beginning Unrecorded Cash	(564,064)
Ending Unrecorded Cash	1,170,559
Beginning Fair Value Adjustment	
for Investments	56,780
Ending Fair Value Adjustment	
for Investments	25,622
Expenditure Accruals	1,202,366
Perspective Difference:	
Public School Support	(16,066)
Advances Out	(107,866)
Encumbrances	(996,631)
Budget Basis	\$1,311,728

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage 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, 2017

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, \$16,273,773 of the School District's bank balance of \$20,847,823 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. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred two percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred five percent.

Investments

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Net Asset Value (NAV) per share				
STAR Ohio	\$80,663	Average 45.5 Days	AAAm	N/A
Fair Value - Level One Inputs				
Money Market Mutual Fund	16,546	Less than one year	AAA	N/A
Fair Value - Level Two Inputs				
Federal Home Loan Bank Bonds	243,845	Less than two years	AAA	N/A
Federal Farm Credit Bank Notes	988,817	Less than one year	AAA	N/A
Federal Farm Credit Bank Notes	499,419	Less than two years	AAA	N/A
Federal Home Loan Mortgage Corporation Notes	5,870,657	Less than one year	AAA	26.28%
Federal National Mortgage Association Notes	2,345,606	Less than one year	AAA	10.50%
Federal National Mortgage Association Notes	801,176	Less than two years	AAA	N/A
Commercial Paper	10,413,603	Less than one year	AAA	46.61%
Negotiable Certificates of Deposit	1,080,480	Less than one year	N/A	N/A
Total Fair Value - Level Two Inputs	22,243,603			
Total Investments	\$22,340,812			

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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 The negotiable certificates of deposit are unrated. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 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.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017, are available to finance fiscal year 2017 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, 2017, 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.

The amount available as an advance at June 30, 2017 was \$359,747 in the general fund, \$32,896 in the bond retirement fund and \$3,357 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2016 was \$478,549 in the general fund, \$43,965 in the bond retirement fund and \$4,486 in the classroom facilities maintenance special revenue fund.

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.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second - Half Collections		2017 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$452,289,720	87.67%	\$450,163,010	86.81%
Public Utility	63,601,980	12.33	68,393,710	13.19
Total Assessed Value	\$515,891,700	100.00%	\$518,556,720	100.00%
Tax rate per \$1,000 of assessed valuation	\$63.60		\$63.60	

Note 8 – Tax Abatements

School District property taxes were reduced as follows under community reinvestment area and enterprise zone agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
<i>Community Reinvestment Areas:</i>	
City of Youngstown	\$687,965
<i>Enterprise Zone Tax Exemptions:</i>	
Coitsville Township	5,848
City of Youngstown	282,961

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Receivables

Receivables at June 30, 2017, consisted of taxes, accounts (contributions and donations and miscellaneous), 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	\$41,018,412	\$12,951,266	\$28,067,146

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Governmental Activities</i>	
Title I Grants	\$1,494,516
Title VI-B Grants	746,707
Preschool Grants	457,005
Bureau of Workers' Compensation	326,368
Foundation Adjustment	278,793
SERS Overpayment Refund	278,229
Miscellellaneous Federal Grants	144,484
Reducing Class Size Grants	114,119
E-Rate Reimbursement	95,175
Medicaid Reimbursement	93,300
Vocational Education Grants	68,426
Adult Basic Education Grants	57,031
Limited English Proficiency Grants	29,181
Alternative Schools Grants	22,142
Mahoning County - MDD Able Program Refund	8,900
Miscellellaneous State Grants	1,973
<i>Total Governmental Activities</i>	\$4,216,349

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, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The fiscal year 2017 adjustment resulted in a net payable to the School District in the amount of \$683,409.

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, 2017, was as follows:

	Balance 6/30/2016	Additions	Deductions	Balance 6/30/2017
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,002,781	\$0	\$0	\$1,002,781
Construction in Progress	0	17,480	0	17,480
<i>Total Nondepreciable Capital Assets</i>	<u>1,002,781</u>	<u>17,480</u>	<u>0</u>	<u>1,020,261</u>
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	187,656,484	0	0	187,656,484
Furniture and Equipment	24,236,413	785,265	0	25,021,678
Vehicles	4,041,625	528,666	(51,700)	4,518,591
<i>Total Capital Assets being Depreciated</i>	<u>215,934,522</u>	<u>1,313,931</u>	<u>(51,700)</u>	<u>217,196,753</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(52,629,627)	(4,390,746)	0	(57,020,373)
Furniture and Equipment	(23,209,232)	(275,555)	0	(23,484,787)
Vehicles	(2,895,866)	(391,865)	38,775	(3,248,956)
<i>Total Accumulated Depreciation</i>	<u>(78,734,725)</u>	<u>(5,058,166)*</u>	<u>38,775</u>	<u>(83,754,116)</u>
<i>Total Assets being Depreciated, Net Governmental Activities</i>	<u>137,199,797</u>	<u>(3,744,235)</u>	<u>(12,925)</u>	<u>133,442,637</u>
<i>Capital Assets, Net</i>	<u>\$138,202,578</u>	<u>(\$3,726,755)</u>	<u>(\$12,925)</u>	<u>\$134,462,898</u>

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$2,216,777
Special	464,628
Vocational	59,266
Support Services:	
Pupil	204,736
Instructional Staff	311,544
Board of Education	89
Administration	383,107
Fiscal	1,096
Business	7,441
Operation and Maintenance of Plant	310,364
Pupil Transportation	378,619
Central	5,329
Operation of Non-Instructional Services	129,093
Food Service Operation	28,342
Extracurricular Activities	557,735
Total Depreciation Expense	\$5,058,166

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 2017, 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 \$280,204,707 and \$20,000,000 per occurrence limit with a \$75,000 deductible.

Fleet insurance for buses is provided by Catlin Indemnity Company with a \$1,000 comprehensive and a \$1,000 collision deductible. Security vehicle insurance is provided by National Liability and Fire Insurance Company with a \$500 comprehensive and a \$250 collision deductible for maintenance vehicles.

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

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

Worker's Compensation

The School District pays the Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The School District was retrospectively rated by the Bureau of Workers' Compensation for periods through December 31, 2014. The balance of claims payable at June 30, 2017 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 \$212,068 at June 30, 2017, 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 fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$236,370	\$136,855	\$179,424	\$193,801
2017	193,801	262,979	244,712	212,068

Employee Health Benefits

Beginning in January 2016, the School District was a participant in the Stark County Schools Council of Governments Health Benefits program to provide medical, prescription drug, dental and vision insurance. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Health Benefits program is administered through Medical Mutual.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claims or payments are made for all participating districts and claims are paid for all participants regardless of claims flow.

Note 13 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$2,086,006 for fiscal year 2017. Of this amount \$32,222 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$5,043,986 for fiscal year 2017. Of this amount \$838,373 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.46925940%	0.33056756%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.45881240%</u>	<u>0.32028947%</u>	
Change in Proportionate Share	<u><u>-0.01044700%</u></u>	<u><u>-0.01027809%</u></u>	
Proportionate Share of the Net			
Pension Liability	\$33,580,834	\$107,210,541	\$140,791,375
Pension Expense	\$3,313,486	\$7,935,797	\$11,249,283

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$452,928	\$4,331,821	\$4,784,749
Changes of assumptions	2,241,704	0	2,241,704
Net difference between projected and actual earnings on pension plan investments	2,769,931	8,901,355	11,671,286
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	1,806,336	1,806,336
School District contributions subsequent to the measurement date	<u>2,086,006</u>	<u>5,043,986</u>	<u>7,129,992</u>
Total Deferred Outflows of Resources	<u><u>\$7,550,569</u></u>	<u><u>\$20,083,498</u></u>	<u><u>\$27,634,067</u></u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$472,036</u>	<u>\$2,408,311</u>	<u>\$2,880,347</u>

\$7,129,992 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$1,188,457	\$2,095,245	\$3,283,702
2019	1,186,460	2,095,244	3,281,704
2020	1,821,368	5,510,945	7,332,313
2021	<u>796,242</u>	<u>2,929,767</u>	<u>3,726,009</u>
Total	<u><u>\$4,992,527</u></u>	<u><u>\$12,631,201</u></u>	<u><u>\$17,623,728</u></u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$44,458,932	\$33,580,834	\$24,475,414

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$142,474,096	\$107,210,541	\$77,463,652

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Note 14 – Postemployment Benefits

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$257,542.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015 were \$228,283, \$240,563 and \$345,405, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 partial 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 discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

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-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 285 days for administrators and 300 days for certified and classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation for certified employees. Administrators are paid forty five percent of accrued unused sick leave upon retirement. Classified employees hired on or before February 1, 2010 receive payment for fifty-five percent of accumulated sick leave up to 170 days. Classified employees hired after February 1, 2010 receive twenty five percent of accumulated sick leave up to 75 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 the Stark County Council of Governments.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17	Amounts Due in One Year
General Obligation Bonds					
2005 Classroom Facilities Bonds					
Serial Bonds	\$55,000	\$0	\$0	\$55,000	\$0
Unamortized Premium	407,869	0	123,459	284,410	0
Total 2005 Classroom Facilities Bonds	<u>462,869</u>	<u>0</u>	<u>123,459</u>	<u>339,410</u>	<u>0</u>
2012 Classroom Facilities Refunding Bonds					
Serial Bonds	13,160,000	0	1,440,000	11,720,000	1,480,000
Unamortized Premium	1,113,185	0	150,093	963,092	0
Total 2012 Classroom Facilities Refunding Bonds	<u>14,273,185</u>	<u>0</u>	<u>1,590,093</u>	<u>12,683,092</u>	<u>1,480,000</u>
2013 Classroom Facilities Refunding Bonds					
Serial Bonds	7,190,000	0	125,000	7,065,000	135,000
Capital Appreciation Bonds	444,988	0	0	444,988	0
Accretion on Bonds	155,939	56,030	0	211,969	0
Term Bonds	720,000	0	0	720,000	0
Unamortized Premium	726,992	0	63,678	663,314	0
Total 2013 Classroom Facilities Refunding Bonds	<u>9,237,919</u>	<u>56,030</u>	<u>188,678</u>	<u>9,105,271</u>	<u>135,000</u>
Total General Obligation Bonds	<u>23,973,973</u>	<u>56,030</u>	<u>1,902,230</u>	<u>22,127,773</u>	<u>1,615,000</u>
Other Long-term Obligations					
Net Pension Liability					
STRS	91,359,205	15,851,336	0	107,210,541	0
SERS	26,776,396	6,804,438	0	33,580,834	0
Total Net Pension Liability	<u>118,135,601</u>	<u>22,655,774</u>	<u>0</u>	<u>140,791,375</u>	<u>0</u>
Capital Lease Payable	5,050,000	0	0	5,050,000	0
Claims Payable	193,801	262,979	244,712	212,068	53,017
Compensated Absences	5,491,161	1,652,971	1,614,997	5,529,135	459,682
Total Other Long-term Obligations	<u>128,870,563</u>	<u>24,571,724</u>	<u>1,859,709</u>	<u>151,582,578</u>	<u>512,699</u>
Total Governmental Activities	<u>\$152,844,536</u>	<u>\$24,627,754</u>	<u>\$3,761,939</u>	<u>\$173,710,351</u>	<u>\$2,127,699</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 \$55,000 remained outstanding at June 30, 2017.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

The maturity amount of outstanding capital appreciation bonds at June 30, 2017 is \$1,665,000. The accretion recorded for fiscal year 2017 was \$56,030, for a total outstanding bond liability of \$656,957 at June 30, 2017.

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, miscellaneous local grants, auxiliary services, public preschool, adult basic education, title VI-B, vocational education, title I, preschool for handicapped and reducing class size special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: the general fund, and the food service, adult education, auxiliary services, public preschool, adult basic education, title VI-B, vocational education, title I, preschool for handicapped and reducing class size special revenue funds. For additional information related to the net pension liability see Note 13.

The School District's overall debt margin was \$31,182,861 with an unvoted debt margin of \$518,557 at June 30, 2017. 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
2018	\$0	\$15,300	\$1,615,000	\$667,525	\$0	\$0
2019	0	15,300	1,680,000	604,326	0	0
2020	140,000	13,813	1,605,000	539,975	0	0
2021	140,000	10,837	1,670,000	474,476	0	0
2022	145,000	7,809	1,735,000	406,376	0	0
2023-2027	295,000	6,322	10,480,000	981,159	0	0
2028	0	0	55,000	1,169	444,988	1,220,012
Total	\$720,000	\$69,381	\$18,840,000	\$3,675,006	\$444,988	\$1,220,012

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 17 – Capital Lease

The School District entered into a capital lease for the improvement of several buildings in the School District. The lease obligation meets the criteria of a capital lease 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, 2017, the market value of the escrow account with fiscal agent is \$4,689,902. 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
2018	\$32,825
2019	32,825
2020	32,825
2021	5,082,825
Total Minimum Lease Payments	5,181,300
Less: Amount Representing Interest	(131,300)
Present Value of Minimum Lease Payments	\$5,050,000

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

Year ending June 30,	Principal	Interest	Total Lease Payment
2018	\$0	\$32,825	\$32,825
2019	0	32,825	32,825
2020	0	32,825	32,825
2021	5,050,000	32,825	5,082,825
Total	\$5,050,000	\$131,300	\$5,181,300

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 - Interfund Transactions

Interfund Transfers

The general fund transferred \$82,240 to other governmental funds to help provide funding for fiscal year 2017.

Interfund Balances

Interfund Payable	Interfund Receivable		
	General	Bond Retirement	Total
<i>Other Governmental Funds:</i>			
Adult Education	950,000	0	950,000
Miscellaneous Local Grants	23,404	0	23,404
Public Preschool	22,906	0	22,906
Vocational Education Enhancement	681	0	681
Alternative Schools	16,142	0	16,142
Adult Basic Education	232,560	0	232,560
Race to the Top	107,000	0	107,000
Title VI-B	82,815	0	82,815
Title I	329,540	0	329,540
Preschool for Handicapped	17,185	0	17,185
Miscellaneous Federal Grants	57,770	0	57,770
Building	0	430,000	430,000
<i>Total All Funds</i>	<u>\$1,840,003</u>	<u>\$430,000</u>	<u>\$2,270,003</u>

Interfund receivables/payables of \$1,840,003 between the general fund and various other 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.

An interfund receivable/payable in the amount of \$430,000 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 2017 were as follows:

	Outstanding June 30, 2016	Additions	Deletions	Outstanding June 30, 2017
Manuscript Bonds:				
Bus Acquisition, Series 2011	<u>\$846,000</u>	<u>\$0</u>	<u>\$416,000</u>	<u>\$430,000</u>

At June 30, 2017, principal of \$430,000 and interest of \$14,620 remain to be paid in fiscal year 2018 to retire the manuscript debt.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. Youngstown City School District paid \$96,969 to ACCESS during fiscal year 2017. 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 7320 North Palmyra Road, Suite 127, Canfield, Ohio 44406.

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 2017.

Note 20 – Shared Risk Pool

Stark County Schools Council of Governments Health Benefits Program The School District participates in the Stark County Schools Council of Governments Health Benefits program. This is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an Assembly, which consists of one representative from each participating member (usually the Superintendent or designee). The Assembly elects officers for one-year terms to serve on the Board of Directors. The Assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating members, based on the established premiums for the insurance plans.

Note 21 - Set-Aside Calculations

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

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Capital Improvements
Set-Aside Balance as of June 30, 2016	\$0
Current Year Set-Aside Requirement	864,840
Offsets	(2,301,625)
Qualifying Disbursements	(2,221,793)
Total	(\$3,658,578)
Set-Aside Balance as of June 30, 2017 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 22 – 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 fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$996,631
Other Governmental Funds	1,299,709
Total	\$2,296,340

Note 23 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Youngstown City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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Required Supplementary Information

Youngstown City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
School Employees Retirement System of Ohio
*Last Four Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.45881240%	0.46925940%	0.47112400%	0.47112400%
School District's Proportionate Share of the Net Pension Liability	\$33,580,834	\$26,776,396	\$23,843,316	\$28,016,232
School District's Covered Payroll	\$14,542,950	\$14,200,157	\$13,739,579	\$13,775,992
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	230.91%	188.56%	173.54%	203.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Youngstown City School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the
Net Pension Liability
State Teachers Retirement System of Ohio
*Last Four Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.32028947%	0.33056756%	0.31995006%	0.31995006%
School District's Proportionate Share of the Net Pension Liability	\$107,210,541	\$91,359,205	\$77,822,927	\$92,702,162
School District's Covered Payroll	\$33,663,150	\$34,795,407	\$32,455,057	\$35,107,600
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.48%	262.56%	239.79%	264.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Youngstown City School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$2,086,006	\$2,036,013	\$1,871,581	\$1,904,306
Contributions in Relation to the Contractually Required Contribution	<u>(2,086,006)</u>	<u>(2,036,013)</u>	<u>(1,871,581)</u>	<u>(1,904,306)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$14,900,043	\$14,542,950	\$14,200,157	\$13,739,579
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$1,906,597	\$1,984,215	\$1,797,761	\$1,826,132	\$1,501,500	\$1,481,977
<u>(1,906,597)</u>	<u>(1,984,215)</u>	<u>(1,797,761)</u>	<u>(1,826,132)</u>	<u>(1,501,500)</u>	<u>(1,481,977)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,775,992	\$14,752,528	\$14,301,998	\$13,486,941	\$15,259,142	\$15,091,419
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Youngstown City School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$5,043,986	\$4,712,841	\$4,871,357	\$4,219,157
Contributions in Relation to the Contractually Required Contribution	<u>(5,043,986)</u>	<u>(4,712,841)</u>	<u>(4,871,357)</u>	<u>(4,219,157)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$36,028,471	\$33,663,150	\$34,795,407	\$32,455,057
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$4,563,988	\$4,979,520	\$5,032,368	\$4,956,110	\$5,128,318	\$5,563,307
<u>(4,563,988)</u>	<u>(4,979,520)</u>	<u>(5,032,368)</u>	<u>(4,956,110)</u>	<u>(5,128,318)</u>	<u>(5,563,307)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$35,107,600	\$38,304,000	\$38,710,523	\$38,123,923	\$39,448,600	\$42,794,669
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Youngstown City School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Receipts	Total Federal 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	\$244,556	\$244,556
<i>Cash Assistance:</i>			
School Breakfast Program	10.553	1,215,578	1,215,578
National School Lunch Program	10.555	<u>2,330,899</u>	<u>2,330,899</u>
Total Nutrition Cluster		3,791,033	3,791,033
Fresh Fruit and Vegetable Program	10.582	<u>156,446</u>	<u>156,446</u>
Total U.S. Department of Agriculture		<u>3,947,479</u>	<u>3,947,479</u>
<u>UNITED STATES DEPARTMENT OF DEFENSE</u>			
<i>Direct Program:</i>			
Junior Reserve Officer Training Corp	12.000	64,385	64,385
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>			
<i>Direct Programs:</i>			
<i>Student Financial Aid Cluster:</i>			
Federal Pell Grant Program	84.063	226,192	226,192
Federal Direct Student Loans	84.268	<u>352,904</u>	<u>352,904</u>
<i>Subtotal - Student Financial Aid Cluster</i>		579,096	579,096
<i>Passed Through Ohio Board of Regents:</i>			
Adult Education-Basic Grants to States	84.002	310,494	311,864
<i>Passed Through Ohio Department of Education:</i>			
<i>Special Education Cluster:</i>			
Special Education-Grants to States (IDEA, Part B)	84.027	2,034,446	2,140,119
Special Education-Preschool Grants	84.173	<u>98,185</u>	<u>122,105</u>
<i>Subtotal - Special Education Cluster</i>		2,132,631	2,262,224
<i>Title 1, Part A Cluster:</i>			
Title I Grants to Local Educational Agencies (Title 1, Part A)	84.010	7,597,494	8,795,291
Career and Technical Education - Basic Grants to States	84.048	221,858	312,087
<i>Homeless Assistance Cluster:</i>			
Education for Homeless Children and Youth	84.196	127,245	58,205
Twenty-First Century Community Learning Centers	84.287	538,939	750,784
English Language Acquisition Grants (Title III)	84.365	50,742	67,302
Improving Teacher Quality State Grants (Title II-A)	84.367	<u>1,008,717</u>	<u>990,433</u>
Total U.S. Department of Education		<u>12,567,216</u>	<u>14,127,286</u>
Total Federal Awards Receipts and Expenditures		<u>\$ 16,579,080</u>	<u>\$ 18,139,150</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
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Youngstown City School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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
474 Bennington Avenue
P.O. Box 550
Youngstown, Ohio 44505

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 30, 2018.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2017-002 and 2017-003.

District's Response to Finding

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 30, 2018



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 THE UNIFORM GUIDANCE

Youngstown City School District
Mahoning County
474 Bennington Avenue
P.O. Box 550
Youngstown, Ohio 44505

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Youngstown City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Youngstown City School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of 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, 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, 2017.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 30, 2018

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(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 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I (CFDA # 84.010) Nutrition Cluster (CFDA # 10.553 & 10.555) Carl D. Perkins Grant (CFDA # 84.048)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2017-001

Cash Reconciliation – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the

governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

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:

- Monthly cash reconciliations were not performed in a timely or accurate manner and hence not provided to management on a monthly basis. At year end, the District hired a firm to assist them in preparing an accurate cash reconciliation.
- There were \$39,241 in unknown differences from fiscal years 2014 through 2016, which were noted in the previous audit and repeated for this audit period. This was adjusted to the District's books.
- There were posting errors (electronic deposits/expenditures recorded incorrectly, or not recorded at all on the books) netting \$(641,986).
- The reconciliation of the investment account carried identified errors of \$56,781, representing interest and gains/losses.
- The reconciliation also carried \$24,481 in expenditures made but not recorded in the Athletic Fund. The correction has not been made to the District's books.

The District's lack of control procedures over the cash reconciliation process attributed to the items noted above.

The Treasurer should maintain all bank statements and supporting documentation used to prepare the monthly cash reconciliations on a timely basis. The District should continue to investigate its financial records to determine the origin of the variance, and take corrective action to help ensure this situation does not occur in the future. In addition, the Treasurer should provide an accurate reconciliation to management for review on a monthly basis.

Officials' Response:

See corrective action plan

FINDING NUMBER 2017-002

Noncompliance Finding

Finding For Recovery Resolved Under Audit – Payroll Compensation

Teacher, Donald Fuller resigned on June 16, 2016. However, the District paid him beyond his contract period for four additional pays. Mr. Fuller did notify the District of the overpayments, and took three of the four payments out of Mr. Fuller's account. The payment the District did not recoup was \$944 which they paid to him on October 14, 2016. This represents a total overpayment of \$944.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against former teacher Donald Fuller and in favor of the Youngstown City School District, in the amount of \$944 to the general fund.

The District and Mr. Fuller signed an agreement for repayment of the Finding on May 23, 2018. The agreement permits Mr. Fuller to pay \$100 a month starting June of 2018 until the outstanding amount of \$944 has been repaid.

The District should implement procedures to ensure individuals who are no longer employed by the District are not paid.

Officials' Response:

See corrective action plan

FINDING NUMBER 2017-003

Noncompliance Finding

Finding For Recovery Repaid Under Audit – Severance Pay

Educational Assistant, Margaret Brancho retired effective, March 1, 2017. Due to an error in the sick leave severance pay calculation, Ms. Brancho was paid \$2,824, but should have only been paid \$2,574. This represents a total overpayment of \$250.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Margaret Brancho and in favor of the Youngstown City School District, in the amount of \$250 to the general fund.

Ms. Brancho paid the District back in full on May 4, 2018.

The District should implement procedures to ensure severance payments are calculated properly.

Officials' Response:

See corrective action plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Lack of control procedures over the cash reconciliation process attributed to various errors.	Not Corrected	We are working on correcting these errors in the current year, also see corrective action plan.
2016-002	The District converted an advance to a transfer totaling \$1,447,905, however, the District's financial statements continued to report this as a receivable.	Corrected	



Youngstown City School District

'Honoring the Past, Embracing the Future'

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Reconciliations for the district have always been prepared by the Assistant Treasurer or the Accountant and reviewed by the Treasurer. The district is short staffed and in the process of being reconfigured due to a new CEO and HB70. The district is currently using an outside firm to do the reconciliations and is working on providing monthly financial reports starting in June 2018. The District is still researching the past corrections.	June 30, 2018	Sherry Tyson
2017-002	Notifications of resignations and retirements start in the Human Resource Office and flow to the Treasurers' office. The District is working on implementing procedures that will improve communication and information sharing between the Human Resource Office and the Treasurers' Office. The Treasurers' office is also implementing a resignation/retirement check list form that will be used for each employee who retires or resigns. The form will cover every step that needs to be accomplished and will be included in the employee payroll file once all steps are completed.	June 30, 2018	Sherry Tyson
2017-003	The District uses an Excel spreadsheet to calculate all severance payments. All areas of the sheet have to be cleared each time a payment is calculated; if not there will be an error in the calculation. The District is will implement a two part severance payment process that requires one person to create the calculation and another person to enter the calculation using a verification sheet; this should eliminate overpayment or underpayment of severance.	June 30, 2018	Sherry Tyson



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YOUNGSTOWN CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 19, 2018**