



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Youngstown City School District
Mahoning County

Fiscal Emergency Termination

Local Government Services Division

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

FISCAL EMERGENCY TERMINATION

Table of Contents

	PAGE
Certification	1
Report on Termination of the Youngstown City School District Financial Planning and Supervision Commission	
The Declaration of Fiscal Emergency	2
The Financial Accounting and Reporting Systems	3
The Fiscal Emergency Conditions	5
The Financial Recovery Plan	6
The Five Year Forecast	7
Conclusion	7
Disclaimer	8
Appendix A	
Youngstown City School District Financial Forecast For the Fiscal Years Ending June 30, 2001 through June 30, 2005	

This Page left Blank, Intentionally



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

CERTIFICATION

Pursuant to a request to the Auditor of State by the Youngstown City School District Financial Planning and Supervision Commission, the Auditor of State has determined that the Youngstown City School District no longer meets the fiscal emergency conditions set forth in Section 3316.03 (B), Revised Code, and the Youngstown City School District has met the requirements of Section 3316.16, Revised Code, for termination of the Youngstown City School District Financial Planning and Supervision Commission. Therefore, the existence of the Youngstown City School District Financial Planning and Supervision Commission and its role in the operation of the Youngstown City School District is terminated as of March 30, 2001.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to the Youngstown City School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, George McKelvey, Mayor of the City of Youngstown, and Susan Tave Zelman, State Superintendent of Public Instruction.

JIM PETRO
Auditor of State

March 30, 2001

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Youngstown City School District
Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission (the Commission) of the Youngstown City School District (the School District), Mahoning County, the Auditor of State has performed an analysis to determine whether this Commission and its functions should be terminated.

The Declaration of Fiscal Emergency

Under Section 3316.03(B) of the Ohio Revised Code, the Auditor of State is to declare a school district in a state of fiscal emergency if the Auditor of State determines the school district has met any of the conditions for fiscal emergency provided in that section.

The Auditor of State conducted an analysis of the Youngstown City School District, dated September 19, 1996, to determine whether the School District met the conditions for fiscal emergency. The results of the analysis were as follows:

1. The Auditor of State certified an operating deficit for the general fund in the amount of \$12,951,000, which exceeded 15 percent of the general fund revenues of the prior fiscal year;
2. The School District could not demonstrate its ability to repay outstanding loans issued under Section 3313.483 and 133.301, Revised Code, in accordance with the applicable repayment schedules unless the Board requested additional loans under those sections in an aggregate principal amount exceeding 50 percent of the prior year loans;
3. The School District had not passed a levy that would eliminate the first two conditions; and,
4. The School District had an average daily membership (ADM) in excess of ten thousand students.

On September 20, 1996, the Auditor of State declared the Youngstown City School District in fiscal emergency based on the conditions mentioned above.

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse."

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Youngstown City School District
Financial Planning and Supervision Commission**

The results of the analysis performed by the Auditor of State in determining if the Commission will continue to exist is as follows:

The Financial Accounting and Reporting Systems

We obtained and reviewed the February 7, 1997, Financial Accounting Report, the fiscal year 1999 and 2000 audit reports and management letter prepared by the Auditor of State. We also observed and interviewed various School District personnel regarding current practices and procedures. A summary of the School District's progress follows:

Budgetary Process

- In order to better manage appropriations and to comply with Section 5705.38 of the Ohio Revised Code, the Board of Education has elected to appropriate the general fund at the object level and all other funds at the fund level for fiscal year 2000.
- In accordance with Section 5705.38 of the Ohio Revised Code, the Board of Education is responsible for adopting appropriations in the School District. The Board no longer delegates this responsibility to the Treasurer.

In process of implementation

- Actual expenditures for the general fund and the capital projects fund did not exceed appropriations for the current fiscal year. However, the special revenue fund expenditures exceeded appropriations. Also, appropriations exceeded revenues plus carryover balances for various funds. The Treasurer is in the process of monitoring special revenue funds.

Treasury and Revenue Activity

- The reconciliation of the investment account and the recording of interest has been corrected and all bank accounts are reconciled to the books. The School District has hired a part-time assistant treasurer whose sole responsibility is to reconcile all bank accounts monthly and in a timely manner.
- Medical insurance benefits are now being charged to the fund in which the employee is paid.

In process of implementation

- Certain special revenue funds have negative cash balances. The School District will monitor these funds and provide advances as needed for cash flow purposes in accordance with the Board policy.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Youngstown City School District
Financial Planning and Supervision Commission**

Purchasing Process

- The majority of purchase orders are entered into the system; therefore, there are very few instances of manually generated purchase orders. When a manual purchase order is necessary, it is signed by the Treasurer.
- All purchase orders are generated out of the Treasurer's office using established and consistent procedures.

Payroll Process

- The School District has established consistent and regular work calendars and uses the automatic calculation capability of the Uniform School Payroll System (USPS).
- The School District, which is on USPS software, is not capable of issuing a manual check. If a mistake is made with a payroll check and the correction must be made prior to the next payroll date, then an additional payroll must be run to correct the problem. This process leaves little possibility for unrecorded transactions occurring.

Debt Administration

- The School District is currently making its debt payments in accordance with the payment schedules out of the debt service fund, as they have in the past.

Financial Reporting

- The School District prepared its comprehensive annual financial statements in accordance with Generally Accepted Accounting Principles and filed its financial statements with the Auditor of State's Office within 150 days of the fiscal year end.
- The Treasurer distributes a cash position report to the Board members on a monthly basis.

Management Letter

In process of implementation

- Ohio Revised Code Section 9.38 requires money to be deposited with the treasurer within 24 hours of collection. Money collected for student activity fund raisers is not deposited within this time frame. Management will institute a policy ensuring that these funds are deposited in a timely manner.
- The School District will obtain a reduced amended certificate of estimated resources from the county auditor when it is known that estimated receipts will exceed actual revenues. The effect of not doing this could result in overspending and a deficit fund cash balance.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Youngstown City School District
Financial Planning and Supervision Commission**

- The School District is monitoring its funds so that appropriations will not exceed estimated resources available for expenditure from that fund. The effect of this can cause the School District to expend monies that are not received nor in the process of being collected.

In a resolution adopted February 13, 2001, the Youngstown City School District Board of Education directed the Treasurer to implement all of the “in process” items noted above.

The Fiscal Emergency Conditions

Under Section 3316.03(B) of the Ohio Revised Code, the Auditor of State is to declare a school district in a state of fiscal emergency if the Auditor of State determines the school district has met any of the conditions as follows:

1. All of the following conditions are satisfied with respect to the School District:
 - a. The School District cannot demonstrate its ability to repay outstanding loans received under Section 3313.483 and 133.301 of the Ohio Revised Code in accordance with the applicable repayment schedules unless additional loans are obtained under these sections in an aggregate principal amount exceeding 50 percent of the prior year loans;
 - b. An operating deficit, reduced by the amount the school district may borrow against its spending reserve, has been certified by the Auditor of State and the certified operating deficit exceeds 15 percent of the school district’s general fund revenue for the preceding fiscal year;
 - c. A levy has not been passed by the voters that will raise enough additional revenue in the succeeding fiscal year that will result in the first two conditions not being met in the succeeding fiscal year; and,
 - d. The school district has an average daily membership (ADM) in excess of 10,000.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within one hundred and twenty days of the declaration for fiscal watch;
3. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041; and,
4. A school district has received more than one advancement from the School District Solvency Assistance Fund within a two year period, or has received one advance and has an operating deficit that exceeds 15 percent of the school district’s general fund revenue for the preceding year.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Youngstown City School District
Financial Planning and Supervision Commission**

The results of our analysis of the fiscal emergency conditions is as follows:

1. a. The School District has demonstrated its ability to repay loans received under Section 3313.483 of the Ohio Revised Code in accordance with applicable repayment schedules and without additional loans.
- b. The School District no longer has an operating deficit in the general fund.
- c. The School District does not meet the first two conditions (conditions a and b above) and no levy has been presented to the voters.
- d. The Youngstown City School District's average daily membership (ADM) is 10,855.
2. The School District was not required to submit a plan to the State Superintendent of Public Instruction due to a declaration of fiscal watch.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The School District has not received more than one advance under Section 3316.20 of the Ohio Revised Code within a two year period.

The Financial Recovery Plan

We obtained a copy of the latest financial recovery plan of the School District, dated December 3, 1997, and interviewed the Treasurer of the School District and received information from the Chairperson of the Financial Planning and Supervision Commission. The key provisions of the financial plan are as follows:

1. Reduction of operating expenses.
2. Personnel reductions.
3. Building re-utilization and/or closures.
4. Transportation reductions.
5. Investigation of restructuring of outstanding debt.
6. Submission of levy to voters.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Youngstown City School District
Financial Planning and Supervision Commission**

Actions taken to achieve the provisions of the plan include the following:

1. A reduction of staff by more than 200 positions for a total savings of more than \$7,400,000.
2. The closing of six school buildings for an overall savings of more than \$977,000.
3. A reduction in fringe benefit costs by renegotiating health care benefits for teachers to a more cost effective type of PPO plan through Medical Mutual of Ohio, for a savings of \$645,000.
4. The School District was able to shift certain costs to the union as a result of the collective bargaining agreement which saved the School District \$100,000.
5. The transfer of the School District's data processing functions to the local "A-site" for a savings of \$300,000.
6. A school facilities improvement levy was presented and approved by the voters in November, 2000.
7. No action has been taken for transportation reductions.

The Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2001 through 2005, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District's five year forecast (see Appendix A) presents a positive unencumbered/unreserved general fund balance for the forecast period and the Auditor of State, in a report dated February 2, 2001, rendered a "nonadverse" opinion on the financial forecast.

Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented, or is in the process of implementing, policies for a sound accounting and reporting system; however, the Auditor of State will monitor the progress to insure full implementation within a two year period;
2. The School District has corrected or eliminated all the fiscal emergency conditions and it appears that, based on the five year financial forecast, the School District will remain out of fiscal emergency;
3. The School District has met the major objectives of the Financial Recovery Plan; and,

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Youngstown City School District
Financial Planning and Supervision Commission**

4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Youngstown City School District and its functions may be terminated.

It is understood that this report’s determination is for the use of the Youngstown City School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, George McKelvey, Mayor of the City of Youngstown, and Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

**Youngstown City School District
Mahoning County**

Financial Forecast

For the Fiscal Years Ending June 30, 2001 Through 2005

This Page Left Blank, Intentionally

**Youngstown City School District
Mahoning County**

Table of Contents

	Page
Accountant's Report	A-3
Schedule of Revenues, Expenditures and Changes in Fund Balance for Fiscal Years Ended June 30, 1998, 1999, and 2000 Actual; Fiscal Years Ending June 30, 2001 through 2005 Forecasted	A-4
Summary of Significant Accounting Policies and Forecast Assumptions	A-6

This Page Left Blank, Intentionally



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Youngstown City School District
20 West Wood Street
Youngstown, Ohio 44501

We have examined the accompanying forecasted Schedule of Revenues, Expenditures, and Changes in Fund Balance of the general fund of the Youngstown City School District for the fiscal years ending June 30, 2001 through 2005. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Youngstown Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared by management to provide the Ohio Department of Education and the Auditor of State with information to determine whether, under Section 3316.16 of the Ohio Revised Code, the Financial Planning and Supervision Commission will continue to exist and should not be used for any other purpose.

In our opinion, the accompanying forecast is presented in conformity with the guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants (AICPA), and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The historical financial statements for the fiscal years ended June 30, 1998, 1999, and 2000, (from which the historical data are derived) were audited by the Auditor of State's Office. The financial statements for the years ended June 30, 1998 and 1999, included a qualified opinion due to the lack of reporting fixed assets and were dated March 12, 1999 and March 9, 2000, respectively. The financial statements for the year ended June 30, 2000 included an unqualified opinion that was dated December 20, 2000.

JIM PETRO
Auditor of State

February 2, 2001

YOUNGSTOWN CITY SCHOOL DISTRICT
 MAHONING COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000 ACTUAL;
 FISCAL YEARS ENDING JUNE 30, 2001 THROUGH 2005 FORECASTED
 GENERAL FUND

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
Revenues				
General Property Tax (Real Estate)	\$16,917,000	\$17,765,000	\$18,292,000	\$17,975,000
Tangible Personal Property Tax	4,197,000	4,112,000	3,947,000	4,293,000
Unrestricted Grants-in-Aid	44,075,000	53,934,000	54,576,000	53,456,000
Restricted Grants-in-Aid	7,530,000	6,424,000	7,157,000	9,329,000
Property Tax Allocation	2,892,000	2,857,000	2,862,000	2,812,000
All Other Revenues	4,135,000	2,630,000	3,821,000	4,172,000
<i>Total Revenues</i>	<u>79,746,000</u>	<u>87,722,000</u>	<u>90,655,000</u>	<u>92,037,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	4,500,000	0	0	0
State Emergency Loans and Advance	17,200,000	2,574,000	0	0
Advances In	0	113,000	50,000	98,000
All Other Financing Sources	1,651,000	50,000	3,000	0
<i>Total Other Financing Sources</i>	<u>23,351,000</u>	<u>2,737,000</u>	<u>53,000</u>	<u>98,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>103,097,000</u>	<u>90,459,000</u>	<u>90,708,000</u>	<u>92,135,000</u>
Expenditures				
Personal Services	43,521,000	44,843,000	44,613,000	46,305,000
Employees' Retirement/Insurance Benefits	21,058,000	13,635,000	13,345,000	13,789,000
Purchased Services	7,164,000	10,568,000	12,192,000	13,948,000
Supplies and Materials	2,054,000	2,509,000	1,918,000	2,560,000
Capital Outlay	230,000	447,000	284,000	702,000
Debt Service:				
Principal-Notes/Bonds	4,500,000	0	0	330,000
Principal-State Loans	13,127,000	15,469,000	10,165,000	1,200,000
Principal-Solvency Assistance Advance	0	0	1,287,000	1,287,000
Principal-HB 264 Loans	1,575,000	1,525,000	1,575,000	995,000
Interest and Fiscal Charges	2,041,000	2,672,000	1,386,000	775,000
Other Objects	766,000	922,000	812,000	758,000
<i>Total Expenditures</i>	<u>96,036,000</u>	<u>92,590,000</u>	<u>87,577,000</u>	<u>82,649,000</u>
Other Financing Uses				
Operating Transfers-Out	74,000	0	1,041,000	125,000
Advances Out	200,000	0	48,000	50,000
All Other Financing Uses	39,000	0	0	0
<i>Total Other Financing Uses</i>	<u>313,000</u>	<u>0</u>	<u>1,089,000</u>	<u>175,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>96,349,000</u>	<u>92,590,000</u>	<u>88,666,000</u>	<u>82,824,000</u>
<i>Excess of Revenues and Other Financing Sources over (Under) Expenditures and Other Financing Uses</i>	6,748,000	(2,131,000)	2,042,000	9,311,000
<i>Cash Balance July 1</i>	<u>1,352,000</u>	<u>8,100,000</u>	<u>5,969,000</u>	<u>8,011,000</u>
<i>Cash Balance June 30</i>	8,100,000	5,969,000	8,011,000	17,322,000
Less Reserves and Encumbrances				
Estimated Encumbrances June 30	531,000	574,000	928,000	1,629,000
Reservation of Fund Balance				
Textbooks and Instructional Materials	168,000	171,000	730,000	520,000
Budget Reserve	477,000	477,000	477,000	477,000
DPIA	1,138,000	1,140,000	1,060,000	1,200,000
Bus Purchases	0	103,000	130,000	105,000
<i>Unencumbered/Unreserved Fund Balance June 30</i>	<u>\$5,786,000</u>	<u>\$3,504,000</u>	<u>\$4,686,000</u>	<u>\$13,391,000</u>

See accompanying summary of significant forecast assumptions and accountant's policies

Note: Schedule includes general fund, DPIA fund, textbook fund and any portion of debt service fund related to general fund debt.

Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted
\$17,975,000	\$17,975,000	\$17,939,000	\$17,939,000
4,293,000	4,293,000	4,293,000	4,293,000
52,000,000	52,260,000	52,521,000	52,521,000
11,628,000	11,628,000	11,628,000	11,628,000
2,812,000	2,812,000	2,806,000	2,806,000
3,620,000	3,624,000	3,584,000	3,584,000
<u>92,328,000</u>	<u>92,592,000</u>	<u>92,771,000</u>	<u>92,771,000</u>
0	0	0	0
0	0	0	0
50,000	50,000	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>50,000</u>	<u>50,000</u>	<u>0</u>	<u>0</u>
<u>92,378,000</u>	<u>92,642,000</u>	<u>92,771,000</u>	<u>92,771,000</u>
47,923,000	49,499,000	51,199,000	52,960,000
15,416,000	16,455,000	17,156,000	17,888,000
15,776,000	17,855,000	19,146,000	20,560,000
2,775,000	3,005,000	3,153,000	3,308,000
1,000,000	1,000,000	1,000,000	1,000,000
345,000	365,000	41,000	40,000
1,280,000	1,365,000	1,455,000	1,555,000
0	0	0	0
605,000	650,000	690,000	740,000
617,000	462,000	307,000	147,000
837,000	837,000	837,000	837,000
<u>86,574,000</u>	<u>91,493,000</u>	<u>94,984,000</u>	<u>99,035,000</u>
75,000	75,000	75,000	75,000
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
<u>86,649,000</u>	<u>91,568,000</u>	<u>95,059,000</u>	<u>99,110,000</u>
5,729,000	1,074,000	(2,288,000)	(6,339,000)
<u>17,322,000</u>	<u>23,051,000</u>	<u>24,125,000</u>	<u>21,837,000</u>
23,051,000	24,125,000	21,837,000	15,498,000
1,000,000	775,000	500,000	500,000
188,000	0	0	0
477,000	477,000	477,000	477,000
3,867,000	6,047,000	7,833,000	9,202,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$17,519,000</u>	<u>\$16,826,000</u>	<u>\$13,027,000</u>	<u>\$5,319,000</u>

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Youngstown City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 2, 2001, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast was prepared by management to provide the Ohio Department of Education and the Auditor of State with information to determine whether, under Section 3316.16 of the Ohio Revised Code, the Youngstown City School District Financial Planning and Supervision Commission will continue to exist and should not be used for any other purpose.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA), textbook subsidy funds and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1998, 1999 and 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
	<u>1998</u>	<u>1999</u>	<u>2000</u>
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$74,415,000	\$65,520,000	\$69,403,000
DPIA	7,280,000	5,105,000	6,937,000
Textbook Subsidy	168,000	168,000	0
Debt Service Activity Related to General Fund Supported Debt	21,243,000	19,666,000	14,413,000
Less Funds Included for External Reporting Purposes	(9,000)	0	(45,000)
Total Revenues and Other Sources per Forecast	<u>103,097,000</u>	<u>90,459,000</u>	<u>90,708,000</u>

Continued

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	\$68,542,000	\$68,186,000	\$67,962,000
DPIA	6,840,000	5,148,000	7,066,000
Textbook Subsidy	0	168,000	168,000
Debt Service Activity Related to General Fund Supported Debt	21,513,000	19,666,000	14,413,000
Less Funds Included for External Reporting Purposes	(15,000)	(4,000)	(15,000)
Less Encumbrances	(531,000)	(574,000)	(928,000)
Total Expenditures and Other Uses per Forecast	<u>96,349,000</u>	<u>92,590,000</u>	<u>88,666,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	6,748,000	(2,131,000)	2,042,000
Cash Fund Balance at Beginning of Fiscal Year	<u>1,352,000</u>	<u>8,100,000</u>	<u>5,969,000</u>
Cash Fund Balance at End of Fiscal Year	8,100,000	5,969,000	8,011,000
Encumbrances at Fiscal Year End	(531,000)	(574,000)	(928,000)
Unencumbered Fund Balance at Fiscal Year End	<u><u>\$7,569,000</u></u>	<u><u>\$5,395,000</u></u>	<u><u>\$7,083,000</u></u>

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Governmental Funds

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

Proprietary Funds

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

Internal Service Funds - The internal service funds account for the services provided by one department to other departments of the School District on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, and (c) agency funds.

C. - Budgetary Process

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

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Budget - A budget of estimated cash receipts and disbursements is submitted to the Mahoning County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Youngstown City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, tangible personal property taxes, and trailer taxes. Advances may be requested from the Mahoning County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last year of Collection	Full Tax Rate (Mills)
Inside Millage Limitation	n/a	n/a	\$4.20
Continuing Operating	1969	n/a	11.30
Continuing Operating	1969	n/a	6.90
Continuing Operating	1971	n/a	3.40
Continuing Operating	1975	n/a	6.30
Continuing Operating	1988	n/a	14.50
Total Tax Rate			\$46.60

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represent gross property tax revenue. The forecasted general property tax revenue is based upon actual receipts and information provided by the Mahoning County Auditor. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon this information, the School District anticipates receiving \$17,975,000 in real estate tax revenue in fiscal year 2001, a \$317,000 decrease from fiscal year 2000. This decrease is a result of the reappraisal in 1999 which included certain properties that were devalued.

The amounts forecasted for fiscal years 2002 through 2005 are based on information provided by the Mahoning County Auditor which includes a full year of collections at the new property valuations for fiscal years 2002 and 2003, and slight decreases in fiscal years 2004 and 2005 due to tri-annual update for property valuations.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business and a portion of the public utility personal property tax revenue. As with general property taxes, tangible personal property tax and public utility personal property tax revenues are based upon information provided by the Mahoning County Auditor. Based upon these estimates, the School District anticipates receiving \$4,293,000 in tangible personal property tax revenue, which is \$346,000 higher than the amount received in fiscal year 2000. This increase is due to the effect of businesses starting and closing and the collection of delinquencies.

Tangible personal property taxes for fiscal years 2002 through 2005 are forecasted to remain consistent throughout the forecast period based on information provided by the Mahoning County Auditor.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

B. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, vocational education, preschool units, and equity aid for low wealth school districts.

In 1998, State law set the base cost per pupil at \$4,063 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001, \$4,414 for fiscal year 2002, \$4,538 for fiscal year 2003, and \$4,665 for fiscal year 2004.

Unrestricted grants-in-aid also include equity funding distributions. Equity funding was distributed to the poorest 195 school districts in fiscal year 2000 based on how far below the 196th poorest school district they were in income adjusted valuation per pupil. The equity aid is being phased out by decreasing each year the number of school districts receiving the funding and the millage multiplier. In fiscal years 2001 and 2002, the number of school districts eligible to receive equity aid is 162 and 117, respectively. Youngstown City School District ranks 43 out of 162 on the list of poorest school districts for fiscal year 2001 and anticipates equity aid revenue in the amount of \$1,987,000 in fiscal year 2001 and \$1,700,000 in fiscal year 2002. No equity funding is anticipated after fiscal year 2002.

The anticipated revenue for fiscal year 2001 of \$53,456,000 is based on current estimates provided by the Ohio Department of Education. The estimated decrease of \$1,120,000 is due to the a reduction in ADM. For fiscal years 2002 through 2005, the School District anticipates unrestricted grants-in-aid to remain fairly consistent; however, these estimates take into account the elimination of equity aid money and operating loan interest reimbursements, increases in the base cost per pupil, decreases in ADM, and the reduction of unrestricted portion of DPIA moneys.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid for fiscal year 2001 consists of disadvantaged pupil impact aid (DPIA) and a bus purchase allowance in the amount of \$9,201,000, and \$128,000, respectively. The School District anticipates these resources to remain constant through fiscal year 2005; however, the restricted portion of DPIA revenue will increase to 100% or \$11,500,000 beginning in fiscal year 2002.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Property tax allocation revenue, based on information from the Mahoning County Auditor for fiscal year 2001, is anticipated to decrease by \$50,000 from the prior fiscal year. The decrease is due to new property valuations mentioned above.

For fiscal years 2002 and 2003, the property tax allocation is forecasted to remain consistent with fiscal year 2001, with a slight decrease in fiscal years 2004 and 2005 in direct proportion to the real property tax revenues.

E. - All Other Revenues

All other revenues include tuition, transportation, earnings on investments, miscellaneous receipts from local sources, receipts from Federal sources (CAFS reimbursements), sale of assets and compensation for lost books. These revenues are forecasted based on historical trends with the only significant change being a rebate from worker's compensation in the amount of \$500,000 in fiscal year 2001.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

F. - Advances In

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$98,000 in fiscal year 2001 from various special revenue grant funds. For fiscal years 2002 and 2003, the School District is projecting a \$50,000 final payment of an advance made to another fund. No advances are anticipated during fiscal years 2004 and 2005.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, overtime, severance pay, board members' compensation, and student workers. All employees receive their compensation on a bi-weekly basis. The certified, classified, and administrative staff levels are expected to increase during the forecast period, even though the School District has cut staff in the past.

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of August 29, 2000, to August 28, 2003, and allows increases of approximately two percent in each year of the contract. Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract covers the period from February 1, 2000, to February 1, 2003, and allows for increases of two percent in each year of the contract. Administrative salaries are set by the Board of Education.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

The School District offers severance pay to its employees of up to one-fourth of the accumulated sick leave to a maximum of 230 days for certified employees and up to one-fourth of the accumulated sick leave to a maximum of 180 days and one-eighth of accumulated sick leave between 180 and 220 days for classified employees.

The personal services expenditures of \$46,305,000 for fiscal year 2001 is an increase of \$1,692,000 from fiscal year 2000. The increase is due to base salary and step increases for all employees, increased overtime pay, severance pay, and an increase in full-time substitutes, offset partially by retirements, positions being filled at a lower salary and certain positions not filled.

The cost of personal services for fiscal years 2002 through 2005 includes salaries and wages for certified and classified staff, supplemental contracts, substitutes, severance pay, overtime, board members and student workers. The amounts are based on 26 pays in each fiscal year and the terms of the existing ratified union contracts as amended. Each fiscal year's forecasted expenditures for personal services allow for additional staff, base, step and educational increases and increases allowed under current and future negotiated contracts.

B. - Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, the monthly premiums, and anticipated increases during the forecast period. The School District is partially self-insured for medical/surgical, prescription drug, dental and vision insurance. Certified staff have an option of either choosing a traditional form of insurance or a preferred provider organization (PPO) and classified staff must enroll in the PPO.

Medicare benefits are based on the employers' rate of 1.45 percent and the payroll costs for contributing staff.

The School District currently participates in the State Workers' Compensation system, which is based on the School District's rate and the actual salaries for the premium period. In prior years, the School District participated in the retrospective rating plan. This plan involves payment of a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for employees. The School District is still involved with this plan for a period of ten years after the last year they participated.

Employee retirement and insurance benefits are forecasted at \$13,789,000 for fiscal year 2001, a \$444,000 increase from fiscal year 2000. This increase is due to increased health insurance premiums, workers' compensation and medicare costs.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

For fiscal years 2002 through 2005, retirement costs are expected to increase in relation to the increases in salaries and wages. Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and annual increases in the health care premiums. Medicare benefits are forecasted based on related anticipated payroll costs over the forecast period. Workers' compensation premium costs are based on the School District's current rate and the anticipated salaries for each fiscal year. The School District believes that all scheduled payments will be made in each fiscal year.

C. - Purchased Services

Purchased service expenditures include professional services, property services, utilities, tuition and transportation costs. The School District is anticipating a \$1,756,000 increase in purchased services for fiscal year 2001. The significant increases are for utility services due to the increase in cost for natural gas, tuition payments to the community schools and transportation costs. Fiscal years 2002 through 2005 will see expenditures increasing on an average of ten percent annually.

D. - Supplies and Materials

Expenditures for supplies and materials include general and office supplies, teaching aids, dispensary supplies, software materials, textbooks, and supplemental textbooks. Fiscal year 2001 expenditures for general supplies, textbooks and supplies and materials for operations, maintenance and repairs for motor vehicles are anticipated to increase \$642,000. Fiscal years 2002 through 2005 will see increases on the average of eight percent for textbooks purchases, instructional materials and other expenditures for non-instructional items.

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general governmental services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted to be in the amount of \$702,000 for fiscal year 2001, which includes \$492,000 for new capital outlay and \$210,000 for replacement capital outlay. The expenditures include five new school buses, ten new vans and various types of school equipment, computers and other new and replacement capital outlay. The School District anticipates spending \$1,000,000 in each year during fiscal year 2002 through 2005. The money will be spent on buses and computers.

F. - Debt Service

The following principal and interest payments will be made during the forecast period for asbestos notes, self-insurance bonds, energy conservation loans, State loans, and a solvency assistance advance.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

	Asbestos Notes	Self- Insurance Bond	State Loan	Solvency Assistance Advance	Energy Conservation	Total Principal	Interest
FY 2001	\$45,000	\$285,000	\$1,200,000	\$1,287,000	\$995,000	\$3,812,000	\$775,000
FY 2002	45,000	300,000	1,280,000	0	605,000	2,230,000	617,000
FY 2003	45,000	320,000	1,365,000	0	650,000	2,380,000	462,000
FY 2004	40,000	0	1,455,000	0	690,000	2,185,000	307,000
FY 2005	41,000	0	1,555,000	0	740,000	2,336,000	147,000

The asbestos notes, self-insurance bonds, energy conservation loans, and state loans are paid from general fund revenues. The solvency assistance advance is paid from State foundation revenues.

G. - Other Objects

This account includes dues, fees, liability insurance and other miscellaneous goods and services not otherwise classified in another account. For fiscal year 2001, the School District is projecting a \$54,000 decrease in this area due primarily to reductions in county auditor and treasurer fees. Fiscal year 2002 will increase slightly and then remain constant in fiscal year 2003 through 2005.

H. - Operating Transfers and Advances Out

The School District expects to transfer \$125,000 and advance \$50,000 to other funds during fiscal year 2001. Transfers out of \$75,000 annually for fiscal years 2002 through 2005 have been included for the forecast years. No advances are anticipated for the remaining forecast years.

I. - Spending Reserve

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget, nor is it anticipated for fiscal year 2001. The Spending Reserve borrowing authority does not exist after fiscal year 2002.

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Encumbrances for benefits, purchased services, supplies and materials, capital outlay and other objects expenditures for fiscal year ended June 30, 2000 were \$928,000 and are forecasted at \$1,629,000 for June 30, 2001. Encumbrances are forecasted to be \$1,000,000 in fiscal year 2002, \$775,000 in fiscal year 2003, and \$500,000 in fiscal years 2004 and 2005. Forecasted encumbrances include the State Teachers' Retirement System Advance.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Note 8 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years.

Effective July 1, 2001, Senate Bill 345 provides an alternate formula to calculate the set aside amount for the textbook and instructional materials and capital improvements and maintenance. The alternate formula requires three percent of the State base cost formula amount for the current fiscal year multiplied by the school district's student population for that fiscal year. A school district may, at its option, continue to use the current formula to calculate the set aside requirement each year. For presentation in this forecast, management has calculated the set aside requirements based on the current formula.

A. - Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The School District had a carry over balance of \$730,000. The set aside amount for fiscal year 2001 is \$1,583,000. Qualifying expenditures in the amount of \$1,793,000 are anticipated. The amount not spent will be carried forward decreasing the textbook and instructional material reserve by \$210,000 to \$520,000 at the end of fiscal year 2001.

During fiscal year 2002, the School District will have a carry over balance of \$520,000 and anticipates \$1,970,000 in qualifying expenditures, therefore, reducing the reserve at fiscal year end 2002 to \$188,000. For fiscal years 2003 through 2005, the School District anticipates qualifying expenditures to exceed the set-aside requirement and any carryover balance; therefore, no reserve for textbooks and instructional materials is forecasted.

B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2001 is \$1,583,000 and is estimated to be \$1,700,000 for the remainder of the forecast period. The set aside will be offset entirely by the levy proceeds for the retirement of classroom facility bonds and a school facilities maintenance levy under Section 3318.06 of the Ohio Revised Code; therefore, no reservation of fund balance is anticipated.

C. - Budget Reserve

The School District is required to establish a budget reserve and set aside one percent of certain revenues each year there is a growth of three percent or more in these revenues. Each year the School District meets the criteria, the required balance in the budget reserve increases by the amount set aside until the five percent limit is reached. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts are required to credit any refund from the Bureau of Worker's Compensation to the budget reserve. Workers' compensation refunds may reduce the contribution required in the current and/or future periods.

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

School districts in fiscal emergency are not required to annually set aside revenues in the budget reserve; however, the School District has recorded refunds in the amount of \$477,000 from the Bureau of Worker's Compensation to the budget reserve.

Senate Bill 345, effective April 10, will eliminate the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refund from the Bureau of Workers' Compensation may only be used for purposes specified in the SB 345, including the offset a budget deficit. The School District does not anticipate expending the existing balance in the budget reserve during the forecast period.

D. - Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2000, the School District had \$1,060,000 in unspent DPIA monies. In addition, the School District will receive \$9,329,000 in restricted DPIA monies during fiscal year 2001. The School District anticipates spending \$7,361,000 in the current fiscal year. Therefore, a reserve of \$1,200,000 is anticipated at June 30, 2001.

The School District anticipates the expenditures for fiscal years 2002 through 2005 based on historical patterns and the existing programs. It is projected that the School District will have reserve requirements of \$3,867,000 for fiscal year 2002, \$6,047,000 for fiscal year 2003, \$7,833,000 for fiscal year 2004, and \$9,202,000 for fiscal year 2005.

E. - Bus Purchases

At June 30, 2000, the School District had \$130,000 in unspent bus monies. In addition, the School District received \$128,000 in bus purchase allowance during fiscal year 2001. The reserve is reduced by qualifying planned expenditures of \$153,000. The set aside for fiscal year 2001 will be \$105,000.

During fiscal years 2002 through 2005, it is conservatively projected that the School District will receive \$128,000 annually. The School District anticipates purchasing twenty replacement buses over fiscal years 2002 through 2005, using the bus purchase subsidy money received. Therefore, no reserve of fund balance is anticipated.

Note 9 - Levies

The School District does not plan to place any levies on the ballot during fiscal year 2001. In the past twelve years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

Date	Type	Amount	Term	Election Results
May 1988	Operating	9.50 Percent	Continuing	Failed
May 1988	Permanent Improvement	4.98 Percent	5 Years	Failed
November 1988	Operating	14.50 Mills	Continuing	Passed
November 2000	School Facilities Improvements	4.4 Mills	23 Years	Passed

**YOUNGSTOWN CITY SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
for the Fiscal Years Ending June 30, 2001 through 2005**

Note 10 - Pending Litigation

Management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 11 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$61,733,000 of school foundation support for its general fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. As of June 30, 2000, the School District has an outstanding balance due of \$8,142,000 borrowed under this program; the final payment of this note will be made in fiscal year 2005.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the programs had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MARCH 30, 2001**