



Mary Taylor, CPA
Auditor of State

**Youngstown City School District
Mahoning County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2008**

Local Government Services Section

Youngstown Local School District
Mahoning County

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Youngstown City School District
Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

Board of Education
Youngstown City School District
20 West Wood Street
Youngstown, Ohio 44501-0550

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Youngstown City School District, Mahoning County, Ohio, and issued a report dated March 19, 2008. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2008 of \$10,380,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2009 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2008.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision Commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in black ink that reads "Peter R. Sorem".

Peter R. Sorem
Chief of Local Government Services

April 22, 2008

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Mary Taylor, CPA

Auditor of State

Board of Education
Youngstown City School District
20 West Wood Street
Youngstown, Ohio 44501-0550

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Youngstown City School District for the fiscal year ending June 30, 2008. The Youngstown City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation 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 management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board'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 accompanying financial forecast has been prepared assuming the Youngstown City School District will continue as a going concern. The School District has not obtained voter approval for an additional general fund operating levy. In addition, the School District was declared in Fiscal Emergency status (see Note 14) on November 16, 2006, and Management's plans have not been sufficient to eliminate the future deficits (see Note 15). These issues raise substantial doubt about the School District's ability to continue as a going concern. The financial forecast does not include any adjustments that might result from the outcome of this uncertainty.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Youngstown City School District for the fiscal years ended June 30, 2005, 2006 and 2007 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor Of State

March 19, 2008

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Youngstown City School District
Mahoning County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ending June 30, 2005 Through 2007 Actual;
For the Fiscal Year Ending June 30, 2008 Forecasted
General Fund

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Forecasted
Revenues				
General Property Tax	\$16,744,000	\$17,575,000	\$16,814,000	\$16,442,000
Tangible Personal Property Tax	4,727,000	5,035,000	3,116,000	3,308,000
Unrestricted Grants-in-Aid	66,577,000	66,150,000	66,731,000	65,096,000
Restricted Grants-in-Aid	11,753,000	11,490,000	11,490,000	13,524,000
Property Tax Allocation	3,100,000	2,949,000	3,941,000	4,281,000
All Other Revenues	3,712,000	5,797,000	4,248,000	3,852,000
<i>Total Revenues</i>	<u>106,613,000</u>	<u>108,996,000</u>	<u>106,340,000</u>	<u>106,503,000</u>
Other Financing Sources				
Lease Proceeds	662,000	0	0	0
Solvency Assistance Advance	0	0	15,025,000	0
Advances In	0	350,000	0	712,000
Advances from Debt Service Fund	0	26,000	0	0
<i>Total Other Financing Sources</i>	<u>662,000</u>	<u>376,000</u>	<u>15,025,000</u>	<u>712,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>107,275,000</u>	<u>109,372,000</u>	<u>121,365,000</u>	<u>107,215,000</u>
Expenditures				
Personal Services	56,693,000	59,995,000	55,606,000	51,708,000
Employees' Retirement/Insurance Benefits	20,819,000	22,924,000	20,576,000	20,586,000
Purchased Services	28,950,000	31,171,000	34,999,000	34,274,000
Supplies and Materials	2,928,000	2,777,000	2,356,000	2,743,000
Capital Outlay	696,000	720,000	536,000	66,000
Debt Service:				
Principal - State Loan	1,555,000	0	0	7,513,000
Principal - HB 264 Loan	740,000	0	0	0
Principal - Asbestos Loan	40,000	26,000	0	0
Interest	263,000	0	0	0
Other Objects	879,000	1,364,000	1,155,000	1,087,000
<i>Total Expenditures</i>	<u>113,563,000</u>	<u>118,977,000</u>	<u>115,228,000</u>	<u>117,977,000</u>
Other Financing Uses				
Operating Transfers Out to Debt Service Fund	53,000	0	681,000	0
Operating Transfers Out to Deficit Grant Funds	0	0	0	2,469,000
Other Operating Transfers Out	540,000	40,000	673,000	32,000
Advances Out	350,000	0	712,000	5,000
All Other Financing Uses	95,000	103,000	0	101,000
<i>Total Other Financing Uses</i>	<u>1,038,000</u>	<u>143,000</u>	<u>2,066,000</u>	<u>2,607,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>114,601,000</u>	<u>119,120,000</u>	<u>117,294,000</u>	<u>120,584,000</u>
<i>Excess of Revenues and Other Financing Sources Over Under Expenditures and Other Financing Uses</i>	<u>(7,326,000)</u>	<u>(9,748,000)</u>	<u>4,071,000</u>	<u>(13,369,000)</u>
Cash Balance (Deficit) July 1	<u>16,798,000</u>	<u>9,472,000</u>	<u>(276,000)</u>	<u>3,795,000</u>
Cash Balance (Deficit) June 30	<u>9,472,000</u>	<u>(276,000)</u>	<u>3,795,000</u>	<u>(9,574,000)</u>
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	3,477,000	1,674,000	941,000	250,000
Reservations of Fund Balance for:				
Budget Reserve	477,000	477,000	0	0
Textbooks	744,000	345,000	0	0
Capital and Maintenance	1,193,000	0	0	0
Bus Purchase	235,000	216,000	402,000	556,000
DPIA/Poverty Based Assistance	20,000	167,000	825,000	0
Total Encumbrances and Reserves of Fund Balance	<u>6,146,000</u>	<u>2,879,000</u>	<u>2,168,000</u>	<u>806,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$3,326,000</u>	<u>(\$3,155,000)</u>	<u>\$1,627,000</u>	<u>(\$10,380,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies
See accountants report

Youngstown City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

Note 1 – The School District

The Youngstown City School District (School District) is located in Mahoning County and encompasses all of the City of Youngstown. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of seven members elected at large for staggered four year terms. The School District currently operates sixteen instructional buildings, an administrative building and a bus garage. The School District is staffed by 517 non-certified, 679 certificated and 71 administrative personnel to provide services to 7,693 excluding open enrollment students and other community members.

Note 2 - Nature 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 March 19, 2008, 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.

Note 3 – 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 require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance fund and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget (non-GAAP) basis 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 earned 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.

Youngstown City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

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:

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 account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds 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 account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations or other government units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and 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 resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Youngstown City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

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 5 - 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 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in businesses which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Mahoning County Auditor as the taxes are collected. When final 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. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2007 (the collection year) for real and public utility property taxes represents collections of 2006 taxes (the tax year). Property tax payments received during calendar year 2007 for tangible personal property (other than public utility property) are for calendar year 2007 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

Youngstown City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account “property tax allocation”. Beginning in tax year 2005 collection year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. The change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2009 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2008.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$4.20
Continuing Operating	1976	n/a	27.90
Continuing Operating	1988	n/a	14.50
Total Tax Rate			<u>\$46.60</u>

The School District also has levies for bonded debt and school facilities maintenance totaling \$4.40 per \$1,000 of assessed valuation. The School District’s total rate is \$51.00 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility property tax levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is \$30.71 per \$1,000 of assessed valuation for collection year 2008, and the effective commercial and industrial real property tax rate is \$41.30 per \$1,000 of assessed valuation for collection year 2008.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year

Youngstown City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - 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 schedule represents gross property tax revenue and is based upon information provided by the Mahoning County Auditor. The School District anticipates a decrease of \$372,000 from the prior fiscal year due to a decrease in the collection of delinquent property taxes and offset by additional revenue from new construction. In fiscal years 2005, 2006, and 2007, the School District received \$2,093,000, \$1,727,000, \$1,333,000 respectfully, in delinquent taxes. The delinquencies as of December 31, 2007 were \$7,469,000.

Tangible Personal Property Tax - Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the 23 percent assessment rate on business inventory was to be reduced by two percent if the total statewide collections of property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 will phase out by 25 percent each year tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period, will lose approximately \$4,900,000, annually, when the tangible personal property tax is completely phased out in 2009. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

While tangible personal property tax revenues are being phased out at a rate of 25 percent per year, the revenue received in fiscal years 2006 and 2007 and the anticipated revenue for fiscal year 2008 does not reflect this change. In fiscal years 2005 and 2006, there were delinquent tax collections of \$314,000 and \$393,000, respectively. In fiscal year 2007, the June personal property tax settlement of \$370,000 was delayed until fiscal year 2008, a refund of \$501,000 was paid out of the 2007 tax revenues, and delinquent tax collections totaled \$41,000. Fiscal year 2008 includes the late June personal property tax settlement from 2007 and delinquent tax collection of \$280,000.

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid represent State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, and excess cost supplement which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

Youngstown City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills times the school district's taxable property valuation. In prior years, the per pupil foundation amount was increased by a regional cost of doing business factor. The cost of doing business factor was phased out over three years beginning in fiscal year 2006. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2005. For fiscal year 2008, the State increased the per pupil foundation amount by 3 percent. The per pupil foundation level for fiscal years 2005 through 2008 is as follows:

Fiscal Year	Per Pupil Foundation Level
2005	\$5,169
2006	5,283
2007	5,403
2008	5,565

The ADM and formula ADM for fiscal year 2008 and the last three fiscal years are as follows:

	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
ADM	11,878	11,572	11,340	10,962
Formula ADM	11,430	11,132	10,906	10,551

The anticipated unrestricted grants-in-aid for fiscal year 2008 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the February school foundation statement for fiscal year 2008 and the amounts for the last three fiscal years are as follows:

	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecasted Fiscal Year 2008	Variance
Formula Aid	\$45,464,000	\$45,667,000	\$44,248,000	\$43,490,000	(\$758,000)
Building Blocks	0	445,000	520,000	520,000	0
Formula Aid Guarantee	0	0	943,000	0	(943,000)
Categorical Funding	7,108,000	7,388,000	7,934,000	7,818,000	(116,000)
Equity Aid	673,000	0	0	0	0
Transportation	3,013,000	3,111,000	3,229,000	3,289,000	60,000
Excess Cost	884,000	889,000	955,000	317,000	(638,000)
Parity Aid	7,484,000	8,103,000	8,243,000	8,683,000	440,000
Transitional Aid Guarantee	0	0	0	449,000	449,000
Foundation Adjustments	1,951,000	547,000	659,000	530,000	(129,000)
Totals	\$66,577,000	\$66,150,000	\$66,731,000	\$65,096,000	(\$1,635,000)

Youngstown City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

Formula Aid is anticipated to decrease from the prior fiscal year because of a decrease in ADM of 378 and an increase in assessed valuation offset by an increase in per pupil funding. The add on building blocks was \$48 per pupil in fiscal year 2007 and \$49 per pupil in fiscal year 2008. Categorical funding decreased due to a decrease in gifted aid and preschool units. Transitional aid guarantee was received for the first time in fiscal year 2008. The transitional aid guarantee ensures that 100 percent of the prior year base revenues are received and eases the impact of the changes in the foundation formula. Parity aid increased due to the School District's per pupil wealth threshold falling below Ohio Department of Education's local wealth threshold amount of \$170,400.

The excess cost supplement aid establishes a 3.3-mill limit on the School District's share of combined funding for special education, vocational education and transportation. If the assumed local share of special and vocation weighted aid plus the assumed local share of transportation exceeds 3.3 mills times the School District's recognized valuation, the State pays the difference in excess cost supplement aid.

Foundation adjustments represents the difference between last fiscal year's revenues and a recalculation of the prior year's SF3 which takes into account corrections for ADM and open enrollment, community school adjustments and other items.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies, Youngstown Early College grant and Poverty Based Assistance/DPIA monies. For fiscal year 2008, the School District anticipates \$157,000 in bus purchase allowance monies, \$607,000 in career tech monies, \$276,000 in Youngstown Early College grant monies and \$12,484,000 in Poverty Based Assistance monies which replaced the DPIA program. A \$2,034,000 increase is anticipated from the prior year due to increases in poverty based assistance based on estimates available from the Ohio Department of Education.

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 rollback and homestead tax relief programs. Beginning in tax year 2005, the State eliminated the ten percent rollback on commercial and industrial real property and the corresponding reimbursement to local governments. This change decreased property tax allocation and increased the collection of property taxes on commercial and industrial property.

The State exempts the first \$10,000 in general business personal property from taxation and reimburses the School District for the lost revenue. In 2004, the State began phasing out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption will be in October 2008.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as Utility Deregulation payments. For fiscal year 2008, the School District anticipates \$183,000 in public utility reimbursements based on information provided by the Ohio Department of Taxation.

Youngstown City School District
Mahoning County
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In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, beginning in fiscal year 2012, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2008, the School District anticipates receiving \$2,262,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecasted Fiscal Year 2008	Variance
Homestead and Rollback	\$2,438,000	\$2,148,000	\$1,836,000	\$1,739,000	(\$97,000)
Tangible Personal Property Exemption	240,000	192,000	122,000	97,000	(25,000)
Utility Deregulation	422,000	397,000	207,000	183,000	(24,000)
Tangible Personal Property Loss Reimbursement	0	212,000	1,776,000	2,262,000	486,000
Totals	\$3,100,000	\$2,949,000	\$3,941,000	\$4,281,000	\$340,000

E. - All Other Revenues

All other revenues include tuition and open enrollment, transportation, interest on investments, E-rates reimbursements, payments in lieu of taxes, Community Alternative Funding Source (CAFS) reimbursements, other revenue, and the refund of prior year expenditures.

Tuition and open enrollment revenue is expected to increase from the prior fiscal year. The School District receives tuition revenue from other school districts whose students are incarcerated at the Juvenile Justice Center, for students who reside in foster home/group homes and for special education students who are residents of other school districts. The School District also receives a small amount of open enrollment tuition for students attending Youngstown City School District.

Interest is based on historical investment practices and anticipated rates and cash balances 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 greatest allocation being to the general fund. The increase in interest is due to the School District having more cash to invest.

E-rate reimbursements are expected to decrease due to the School District's eligible reimbursement costs being lower in fiscal year 2008.

During fiscal year 2007, the School District provided a "Bridging the Gap" program for students entering high school. The Youngstown State University provided a donation to cover the costs of this program. This program was not offered during fiscal year 2008.

In fiscal year 2007, other revenue included grant money received from Youngstown State University for the Youngstown Early College program. In fiscal year 2008, this revenue is correctly reflected as restricted grants-in-aid.

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The Community Alternative Funding Source (CAFS) program ended June 30, 2005. The School District does not expect to receive any reimbursement during the forecast period.

Sale of capital assets and refund of prior year expenditures is expected to increase based on current year actual receipts.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecast Fiscal Year 2008	Variance Increase (Decrease)
Tuition and Open Enrollment	\$224,000	\$143,000	\$207,000	\$289,000	\$82,000
Transportation	221,000	197,000	308,000	242,000	(66,000)
Interest on Investments	856,000	1,195,000	1,423,000	1,498,000	75,000
E-Rate Reimbursements	74,000	1,333,000	517,000	391,000	(126,000)
Rentals	28,000	110,000	86,000	92,000	6,000
Other Revenue	574,000	473,000	1,079,000	773,000	(306,000)
Donations	0	0	75,000	0	(75,000)
Payments in Lieu of Taxes	735,000	517,000	540,000	540,000	0
CAFS Reimbursements	991,000	1,634,000	0	0	0
Sale of Capital Assets	9,000	81,000	10,000	23,000	13,000
Refund of Prior Year Expenditures	0	114,000	3,000	4,000	1,000
Totals	\$3,712,000	\$5,797,000	\$4,248,000	\$3,852,000	(\$396,000)

F. - Other Financing Sources

Solvency Assistance Advance – During fiscal year 2007, the School District received a Solvency Assistance Fund Advance in the amount of \$15,025,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advances are repaid over two years from State foundation revenues and are interest free.

Transfers and Advances In - The School District anticipates repayment of advances in of \$712,000 during the forecast period. During fiscal year 2007, the general fund advanced money to various grant funds in order to prevent the grant funds from ending the year with a deficit balance. Those advances are expected to be repaid during fiscal year 2008. The School District does not anticipate receiving any transfers-in during the forecast period.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay, and a retirement incentive bonus. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education.

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General Fund staffing levels for the last two fiscal years and as of February 2008 are as follows:

	June 2006	June 2007	February 2008
Certified	703	675	600
Classified	405	372	351
Administrators	82	72	66
Total	1,190	1,119	1,017

There are no further staff reductions anticipated for the rest of the forecast period.

Certified (teaching) staff salaries are based on a negotiated contract which includes step increase and educational incentives. The contract covers the period beginning July 1, 2007 through June 30, 2010. The forecast includes only step increases that range from three to six percent based on the fiscal year 2008 salary schedule. The contract does not include base increases for fiscal years 2008, 2009 and 2010. Fiscal year 2007 only included step increases ranging from three to six percent.

Classified salaries are based on a negotiated contract which includes step increases and covers the period beginning February 1, 2007 through January 31, 2010. The forecast includes only step increases that range from three to five percent based on the fiscal year 2008 salary schedule. Fiscal year 2007 only included step increases ranging from three to five percent. Fiscal year 2006 included a four percent increase in base salary as well as step increases from three to five percent.

Certified and classified salaries are expected to decline due to a reduction of 102 employees from fiscal year 2007 levels. This decrease is comprised of 28 employees due to a reduction in force, 53 employees retiring and the remainder either resigning or due to positions being combined at the School District.

Substitute salaries and supplemental contracts are expected to decrease by \$882,000 and \$4,000 respectively, during the forecast period due to fewer positions needing substitutes during fiscal year 2008 and less supplemental positions being filled.

The School District offers severance pay upon retirement to its certified and classified employees with at least ten years of service in the School District. Payments for certified employees are one-fourth of the value of their accumulated sick leave. Severance for administrators is 37.5 percent of the value of their accumulated sick leave and classified employees receive 60 percent of the value of their accumulated sick leave up to 144 days. Certified employees and administrators are paid with no accumulation limit. Payment is based on the daily rate of pay at retirement.

The School District offers a retirement incentive bonus of \$30,000 to certified employees who become eligible to retire in the current fiscal year and take the incentive as of July 31 of that fiscal year. The fiscal year 2006 retirement incentive payment is made in six equal payments in October and January of three consecutive years after retirement. The fiscal year 2007 retirement incentive is made in four equal payments in October of the first consecutive year after retirement, in October and January of the second consecutive year and in October of the third consecutive year.

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Severance and early retirement incentive costs are anticipated to increase \$60,000 due to several factors. First, 53 staff members retired during the forecast period compared with the retirement of only 39 staff members during fiscal year 2007. Second, the School District paid one-third of the fiscal year 2006 and one-fourth of the fiscal year 2007 certified retirement incentive in fiscal year 2008 compared to the prior fiscal year when the School District only paid one-third of the fiscal year 2006 retirement incentive. Third, 14 classified employees received a retirement incentive in fiscal year 2008 versus the prior year when no classified employees were offered a retirement incentive. Fourth, 21 certified employees received an incentive to resign in fiscal year 2008 versus the prior year when no such resignation incentive was offered.

Presented below is a comparison of salaries and wages for fiscal years 2005, 2006, 2007 and the forecast period.

	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecast Fiscal Year 2008	Variance Increase (Decrease)
Certified Salaries	\$39,557,000	\$41,703,000	\$38,357,000	\$35,666,000	(\$2,691,000)
Classified Salaries	13,020,000	13,484,000	12,523,000	12,140,000	(383,000)
Substitute Salaries	3,844,000	3,995,000	3,516,000	2,634,000	(882,000)
Supplemental Contracts	149,000	168,000	128,000	124,000	(4,000)
Severance Pay and Retirement Incentive	102,000	612,000	1,055,000	1,115,000	60,000
Other Salaries and Wages	21,000	33,000	27,000	29,000	2,000
Totals	<u>\$56,693,000</u>	<u>\$59,995,000</u>	<u>\$55,606,000</u>	<u>\$51,708,000</u>	<u>(\$3,898,000)</u>

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 of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and actuals are prorated over the next calendar year. The School District pays the retirement contributions for its superintendent, business manager and treasurer. The decrease that appears on the schedule below is due to the reduction in staff that occurred for fiscal year 2008. The decrease is also partially due to STRS and SERS overpayments made in the prior fiscal year.

Health care costs are based on rates set by Medical Mutual of Ohio and Anthem. All funds are charged for the number of employees participating in the program and the type of coverage (single or family) provided to each employee. The health care program includes medical, prescription drug, dental care, and vision. Health care premiums are fixed for a twelve month period from January through December. The individual monthly premiums for fiscal year 2008 increased as compared with the premiums paid in fiscal year 2007. Premiums for single health care rates increased by 12.66 percent and the premiums for family health care rates increased by 7.72 percent in January 2008. This increase was partially offset by the reduction of 102 employees.

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The monthly payments per person for health care benefits are as follows:

<u>Coverage:</u>	<u>Effective January 1, 2006</u>	<u>Effective January 1, 2007</u>	<u>Effective January 1, 2008</u>
Family	\$1,165.97	\$1,239.03	\$1,342.03
Single	469.40	480.00	539.93

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May as in prior years. For the forecast period, as well as the prior fiscal year, only a very minimal amount is being charged to the general fund for workers' compensation. This is due to the fact that the School District's workers' compensation fund is currently over funded and the School District has chosen to pay all but a very minimal amount by drawing down the workers' compensation fund.

The School District anticipates paying unemployment benefits of \$184,000 during fiscal year 2008, a \$12,000 increase from the prior year.

Presented below is a comparison of fiscal years 2005, 2006, 2007 and the forecast period:

	<u>Actual Fiscal Year 2005</u>	<u>Actual Fiscal Year 2006</u>	<u>Actual Fiscal Year 2007</u>	<u>Forecast Fiscal Year 2008</u>	<u>Variance Increase (Decrease)</u>
Employer's Retirement	\$7,849,000	\$8,386,000	\$7,727,000	\$6,972,000	(\$755,000)
Health Care/Life Insurance	11,547,000	13,336,000	12,147,000	12,935,000	788,000
Workers' Compensation	894,000	608,000	14,000	18,000	4,000
Medicare	483,000	534,000	506,000	470,000	(36,000)
Unemployment	41,000	55,000	172,000	184,000	12,000
Tuition Reimbursement	5,000	5,000	10,000	7,000	(3,000)
Totals	<u>\$20,819,000</u>	<u>\$22,924,000</u>	<u>\$20,576,000</u>	<u>\$20,586,000</u>	<u>\$10,000</u>

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C. - Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecast Fiscal Year 2008	Variance Increase (Decrease)
Professional and Technical Services	\$1,496,000	\$959,000	\$553,000	\$551,000	(\$2,000)
Property Services	1,644,000	1,594,000	1,880,000	1,750,000	(130,000)
Travel and Meeting Expenses	98,000	151,000	81,000	82,000	1,000
Communication Costs	1,096,000	600,000	365,000	633,000	268,000
Utility Services	2,954,000	4,053,000	4,096,000	2,928,000	(1,168,000)
Trade Services	2,000	3,000	3,000	3,000	0
Tuition Payments	20,414,000	22,359,000	26,573,000	26,867,000	294,000
Pupil Transportation	1,246,000	1,452,000	1,448,000	1,460,000	12,000
Totals	<u>\$28,950,000</u>	<u>\$31,171,000</u>	<u>\$34,999,000</u>	<u>\$34,274,000</u>	<u>(\$725,000)</u>

Property services will decrease due to the School District cutting back on repairs. Communication costs will increase due an increase in School District buildings being equipped with high speed internet cable. Utility services are forecasted to decrease due to the closing of two schools. Tuition payments are increasing due to Youngstown City School District students attending community schools.

D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecast Fiscal Year 2008	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$1,346,000	\$1,196,000	\$1,150,000	\$1,475,000	\$325,000
Operations, Maintenance and Repair	985,000	944,000	898,000	920,000	22,000
Textbooks	597,000	637,000	308,000	348,000	40,000
Totals	<u>\$2,928,000</u>	<u>\$2,777,000</u>	<u>\$2,356,000</u>	<u>\$2,743,000</u>	<u>\$387,000</u>

Supplies and materials are forecasted to increase primarily due the School District's need to replenish supplies and textbooks in fiscal year 2008.

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. The decrease of \$470,000 from fiscal year 2007 is due to the School District purchasing computers in fiscal year 2007. The School District plans on cutting capital expenditures due to the School District's financial position.

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F. – Debt Service

General fund supported debt consists of a solvency assistance loan in the amount of \$15,025,000 received in fiscal year 2007. The solvency assistance loan will mature June 30, 2009. Principal expenditures for fiscal year 2008 are anticipated to be \$7,513,000.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. The \$69,000 decrease is due primarily to a decrease in liability insurance and employee bonds.

H. - Operating Transfers and Advances Out

During fiscal year 2007, the School District transferred \$681,000 to the Bond Retirement fund for repayment of monies used in prior fiscal years to pay general fund debt. The School District also transferred \$615,000 to the Title 6B fund due to incorrectly posting grant money in the general fund.

In prior years, the School District allowed grant funds to continue to operate with a deficit. The School District is forecasting the following transfers to cover deficit grant funds:

	Amount
Special Trust Fund	\$704,000
Local Grants Fund	15,000
Adult Basic Education Fund	320,000
Title VI-B Fund	228,000
Carl Perkins Fund	40,000
Title III Fund	13,000
Title I Fund	652,000
Title V Fund	33,000
Drug Free Schools Fund	76,000
Preschool Grant Fund	55,000
Title II-A Fund	109,000
Miscellaneous Federal Grants Fund	224,000
Total	\$2,469,000

Other transfers out of \$32,000 were made to help cover operating costs in the athletic fund.

The School District is forecasting advances out in fiscal year 2008 in the amount of \$5,000 due to the timing of the receipt of grant monies to the various funds. The general fund provides temporary funding of the program until the grant dollars are received.

I. – All Other Financing Uses

During fiscal year 2008, the School District had to repay \$101,000 to the Community Alternative Funding Source (CAFS) program due to overpayments received in prior fiscal years.

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Note 8 - 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 cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects were \$1,674,000 in fiscal year 2006 and \$941,000 in fiscal year 2007. For fiscal year 2008, the encumbrances are expected to decrease due to the Treasurer closing old purchase orders and are forecasted to be \$250,000.

Note 9 - 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 future years.

A. - Textbooks and Instructional Materials Set-Aside

The School District had a carryover balance of \$121,000 from fiscal year 2007. The set aside amount for fiscal year 2008 is \$1,271,000. The School District anticipates \$1,531,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is forecasted for textbook and instructional materials.

B. - Capital and Maintenance Set-Aside

The set aside amount for fiscal year 2008 is \$1,271,000. The School District anticipates \$1,338,000 in offsets and \$63,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is forecasted for capital acquisition and improvements.

C. - Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2007, the School District had \$825,000 in unspent Poverty Based assistance monies. The School District anticipates receiving \$12,484,000 in restricted Poverty Based Assistance monies during fiscal year 2008. The School District anticipates spending \$13,309,000 of the Poverty Based Assistance funding during the current fiscal year leaving no reserve balance forecasted for Poverty Based Assistance.

D. - Bus Purchases

At June 30, 2007, the School District had \$402,000 in unspent bus monies. The School District anticipates a \$157,000 bus purchase allowance during fiscal year 2008. The School District spent \$3,000 towards the purchase of the new buses in fiscal year 2008, leaving a reserve balance of \$556,000 forecasted for bus purchases.

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Note 10 - Levies

In March 2008, the School District attempted to pass a combined operating and permanent improvement 9.5 mill levy for a term of five years, but it failed. Since 2000, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 2000	School Facilities Improvements	\$33,198,000	23 Years	Passed
November 2000	School Facilities Maintenance	.5 mills	23 Years	Passed
November 2004	School Facilities Improvements	\$4,000,000	23 Years	Passed
November 2006	Operating/Permanent Improvements	9.5 mills	5 Years	Failed
November 2007	Operating/Permanent Improvements	9.5 mills	5 Years	Failed
March 2008	Operating/Permanent Improvements	9.5 mills	5 Years	Failed

Note 11 – Pending Litigation

The School District’s management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Youngstown Benefits Self-Insurance Fund

The School District provides medical/surgical, prescription drug, vision and dental benefits through a self-insured program. Grossman Consulting, a third party administrator, processes the claims. All funds make monthly payments to the self-insurance fund based on the number of employees and the type of coverage provided to each employee. Monthly charges per person for single and family participation in the program are recommended by the third party administrator. The School District purchases annual stop loss coverage for claims in excess of \$200,000 per person and \$13,238,759 for the School District as a whole. The School District anticipates the costs of claims to increase throughout the forecast period. The monthly charges to the various funds will also increase to cover the cost of claims and administrative charges and to maintain a positive cash fund balance.

Note 13 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations for fiscal year 2008. In addition, there are certain funds that rely upon a subsidy from the general fund to meet their obligations. These subsidies are reported as transfers out and have been addressed in Note 7H. The School District maintains a workers’ compensation fund with an anticipated balance of \$500,000 at fiscal year end. The balance in this fund is expected to be exhausted with the fiscal year 2009 payment to the Ohio Bureau of Workers’ Compensation.

Note 14 – Financial Planning and Supervision Commission

On November 16, 2006, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School

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District's declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Mayor of the City of Youngstown. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must in accordance with the plan.

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

Note 15 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. The financial plan for the fiscal years 2008 through 2012 was filed on November 3, 2007. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan assumes the continued operation of the School District with no significant increases in revenues. The plan also assumes a decrease in the number of employees which causes a decrease in salaries as well as benefits for fiscal years 2009 through 2012. The operating deficit increases from \$10,430,000 for fiscal year 2008 to \$10,679,000 in fiscal year 2012. The recovery plan, dated March 13, 2008, does not address periods beyond fiscal year 2009.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



Mary Taylor, CPA
Auditor of State

YOUNGSTOWN CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 22, 2008**