Mary Taylor, CPA
Auditor of State

Youngstown City School District
Mahoning County, Ohio

Financial Forecast
For the Fiscal Year Ending June 30, 2007

Local Government Services Section

Youngstown City School District
Mahoning County

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Mary Taylor, CPA
Auditor of State

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 15, 2007. 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, 2007 of $15,025,000.

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 2008 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 2007.

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

Peter R. Sorem

Peter R. Sorem
Chief of Local Government Services

April 19, 2007

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, 2007. 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 12) on November 16, 2006, and Management's plans have not been sufficient to eliminate the future deficits (see Note 13). 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, 2004, 2005 and 2006 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 15, 2007

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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, 2004 Through 2006 Actual;
For the Fiscal Year Ending June 30, 2007 Forecasted
General Fund

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Forecasted
Revenues				
General Property Tax	$16,887,000	$16,744,000	$17,575,000	$16,935,000
Tangible Personal Property Tax	5,829,000	4,967,000	5,035,000	3,414,000
Unrestricted Grants-in-Aid	61,337,000	66,577,000	66,150,000	65,990,000
Restricted Grants-in-Aid	11,103,000	11,753,000	11,490,000	11,396,000
Property Tax Allocation	2,847,000	2,860,000	2,949,000	3,501,000
All Other Revenues	3,154,000	3,712,000	5,182,000	3,352,000
Total Revenues	101,157,000	106,613,000	108,381,000	104,588,000
Other Financing Sources				
Lease Proceeds	0	662,000	0	0
Advances In	0	0	350,000	0
Advances from Debt Service Fund	708,000	0	26,000	0
Total Other Financing Sources	708,000	662,000	376,000	0
Total Revenues and Other Financing Sources	101,865,000	107,275,000	108,757,000	104,588,000
Expenditures				
Personal Services	54,302,000	56,693,000	59,995,000	55,645,000
Employees' Retirement/Insurance Benefits	19,814,000	20,819,000	22,924,000	21,107,000
Purchased Services	24,239,000	28,950,000	31,171,000	35,209,000
Supplies and Materials	3,036,000	2,928,000	2,777,000	2,639,000
Capital Outlay	836,000	696,000	720,000	100,000
Debt Service:				
Principal - State Loan	1,455,000	1,555,000	0	0
Principal - HB 264 Loan	690,000	740,000	0	0
Principal - Asbestos Loan	43,000	40,000	26,000	0
Interest	196,000	263,000	0	0
Other Objects	1,532,000	879,000	1,364,000	1,358,000
Total Expenditures	106,143,000	113,563,000	118,977,000	116,058,000
Other Financing Uses				
Advances Out to Debt Service Fund	0	53,000	0	681,000
Other Operating Transfers Out	73,000	540,000	40,000	40,000
Advances Out	0	350,000	0	0
All Other Financing Uses	0	95,000	103,000	0
Total Other Financing Uses	73,000	1,038,000	143,000	721,000
Total Expenditures and Other Financing Uses	106,216,000	114,601,000	119,120,000	116,779,000
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(4,351,000)	(7,326,000)	(10,363,000)	(12,191,000)
Cash Balance (Deficit) July 1	21,149,000	16,798,000	9,472,000	(891,000)
Cash Balance (Deficit) June 30	16,798,000	9,472,000	(891,000)	(13,082,000)
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	1,401,000	3,477,000	1,674,000	1,674,000
Reservations of Fund Balance for:				
Budget Reserve	477,000	477,000	477,000	0
Textbooks	375,000	744,000	345,000	0
Capital and Maintenance	789,000	1,193,000	0	0
Bus Purchase	0	235,000	216,000	269,000
DPIA/Poverty Based Assistance	142,000	20,000	167,000	0
Total Encumbrances and Reserves of Fund Balance	3,184,000	6,146,000	2,879,000	1,943,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	$13,614,000	$3,326,000	($3,770,000)	($15,025,000)

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

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 five members elected at large for staggered four year terms. The School District currently operates nineteen instructional buildings, an administrative building and a bus garage. The School District is staffed by 565 non-certified, 749 certificated and 76 administrative personnel who provide services to 8,093 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 15, 2007, 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, disadvantaged pupil impact aid (DPIA) 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.

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 that 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.

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 2006 (the collection year) for real and public utility property taxes represents collections of 2005 taxes (the tax year). Property tax payments received during calendar year 2006 for tangible personal property (other than public utility property) are for calendar year 2006 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.

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.

The forecast excludes the receipt of any advances against fiscal year 2008 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. The forecasted deficit fund balance may be decreased to the extent advances are received prior to June 30, 2007, and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2007.

The property tax revenues for the general fund are generated from several levies. The current 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			$46.60

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 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 personal property 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 $30.67 per $1,000 of assessed valuation and the effective commercial and industrial real property tax rate is $41.16 per $1,000 of assessed valuation for collection year 2007.

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 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 of 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 $640,000 from the prior fiscal year due to a decrease in the collection of delinquent property taxes offset by additional revenue from new construction. In fiscal year 2006, the School District shifted .75 mills of the inside millage back to the general fund from the permanent improvement fund and received additional revenue from the inside millage and the increase in property valuation due to the reappraisal. Delinquent tax collections in fiscal years 2004, 2005, and 2006 were $1,482,000, $2,093,000, $1,727,000, respectively. Delinquent tax collections are estimated to be $1,100,000 and is believed by the County Auditor’s office to be included in the estimated tax collections for fiscal year 2007.

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 assessment rate on business inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal 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 $4,967,000 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).

Tangible personal property tax revenues include actual October 2006 and the estimated June 2007 personal property tax settlement. The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes.

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.

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 (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level is set by the State Legislature. Historically, per pupil amounts has increased 2.2 percent since 2004 and 2.8 percent in fiscal years prior to fiscal year 2004. The per pupil foundation level for fiscal years 2004 through 2007 is as follows:

Fiscal Year	Per Pupil Foundation Level
2004	$5,058
2005	5,169
2006	5,283
2007	5,403

The anticipated unrestricted grants-in-aid for fiscal year 2007 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 2007 and the amounts for the last three fiscal years are as follows:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecasted Fiscal Year 2007	Variance
Formula Aid	$44,044,000	$45,464,000	$46,112,000	$45,711,000	($401,000)
Categorical Funding	6,363,000	7,108,000	7,388,000	7,680,000	292,000
Equity Aid	1,126,000	673,000	0	0	0
Transportation	3,212,000	3,013,000	3,111,000	3,155,000	44,000
Excess Cost	608,000	884,000	889,000	891,000	2,000
Parity Aid	5,385,000	7,484,000	8,103,000	8,275,000	172,000
Reappraisal Guarantee	0	0	0	78,000	78,000
Foundation Adjustments	599,000	1,951,000	547,000	200,000	(347,000)
Totals	$61,337,000	$66,577,000	$66,150,000	$65,990,000	($160,000)

Formula Aid is anticipated to decrease from the prior fiscal year because of increases in assessed valuations and a decrease in ADM of 344. The decrease is offset by the formula aid guarantee, an increase in per pupil funding and the add-on building blocks. The add on building blocks add $40 per pupil in fiscal year 2006 and $48 per pupil in fiscal year 2007. Categorical funding increased due an increase in special education. Equity aid was phased out each year through fiscal year 2005. Parity aid was phased in with the percentage of distribution going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and 100 percent in fiscal year 2006. The reappraisal guarantee safeguards the School District from a reduction in formula aid due to increases in local property valuations that result from a reappraisal of real property such as the one that took place in Mahoning County in tax year 2005.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance. For fiscal year 2007, the School District anticipates $53,000 in bus purchase allowance, $813,000 in career tech monies and $10,530,000 in Poverty Based Assistance monies which replaced the DPIA program. A $94,000 decrease is anticipated from the prior year due to decreases in the bus purchase allowance and career tech monies.

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 2006, the State eliminated the ten percent rollback on commercial and industrial real property and the reimbursement to local governments.

The State exempts the first $10,000 in taxable value of tangible personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State was phasing out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period has been 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. For fiscal year 2007, the School District anticipates $414,000 in public utility reimbursements based on information provided by the Ohio Department of Taxation.

Beginning in fiscal year 2006, the State will reimburse 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, the reimbursements are 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 2007, the School District anticipates receiving $1,466,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecasted Fiscal Year 2007	Variance
Homestead and Rollback	$2,499,000	$2,438,000	$2,340,000	$1,621,000	($719,000)
Utility Deregulation	348,000	422,000	397,000	414,000	17,000
Tangible Personal Property Loss Reimbursements	0	0	212,000	1,466,000	1,254,000
Totals	$2,847,000	$2,860,000	$2,949,000	$3,501,000	$552,000

E. - All Other Revenues

All other revenues include tuition and open enrollment, transportation, interest on investments, E-rate 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 decrease 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 not 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 receiving reimbursements in fiscal year 2006 for fiscal year 2005.

The CAFS program ended June 30, 2005. The School District received some CAFS reimbursement in fiscal 2006 that had been requested in the fiscal year 2005 but does not expect to receive any further reimbursement during the forecast period.

Refund of prior year expenditures is expected to decrease based on current year actual receipts. In fiscal year 2006 the School District paid for its phone system twice. The School District received a refund for the overpayment.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Tuition and Open Enrollment	$482,000	$224,000	$143,000	$136,000	($7,000)
Transportation	196,000	221,000	197,000	187,000	(10,000)
Interest on Investments	639,000	856,000	1,195,000	1,180,000	(15,000)
E-Rate Reimbursements	299,000	74,000	1,333,000	557,000	(776,000)
Rentals	79,000	28,000	110,000	103,000	(7,000)
Other Revenue	760,000	574,000	473,000	561,000	88,000
Donations	3,000	0	0	75,000	75,000
Payments in Lieu of Taxes	20,000	735,000	517,000	540,000	23,000
CAFS Reimbursements	666,000	991,000	1,019,000	0	(1,019,000)
Sale of Capital Assets	10,000	9,000	81,000	8,000	(73,000)
Refund of Prior Year Expenditures	0	0	114,000	5,000	(109,000)
Totals	$3,154,000	$3,712,000	$5,182,000	$3,352,000	($1,830,000)

F. - Other Financing Sources

The School District does not anticipate receiving any advances or 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 retirement incentive bonuses. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. School District wide staffing levels decreased from 1,531 in fiscal year 2004 to 1,473 in fiscal year 2005. Staffing levels increased to 1,534 in fiscal year 2006 and decreased to 1,390 in fiscal year 2007 for a total of 144 employees.

Certified (teaching) staff salaries are based on a negotiated contract. The original contract covered the period beginning July 1, 2003 through June 30, 2006. This contract was extended through June 30, 2007. The forecast includes only step increases that range from three to six percent based on the fiscal year 2006 salary schedule. Fiscal year 2006 included a four percent increase in base salary as well as step increases from three to six percent.

The contracts for classified staff cover the period beginning February 1, 2007 through January 31, 2010. The classified employees have negotiated no increase in base wages throughout the contract period. The forecast includes only step increases that range from three to five percent for all classified employees.

The general fund forecasted salaries were calculated by adding actual 2007 fiscal year to date amounts as of February 9, 2007 to a sample payroll multiplied by the remaining number of pay dates for the fiscal year.

Substitute salaries and supplemental contracts are expected to decrease by $961,000 and $19,000 respectively, during the forecast period due to fewer positions needing substitutes during fiscal year 2007 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. Payments for administrators are thirty seven and one half percent of the value of their accumulated sick leave and classified employees receive sixty percent of the value of their accumulated sick leave up to a maximum of 144 days. Certified employees and administrators have no accumulation limit. Payment is based on the daily rate of pay at retirement.

Severance pay and retirement incentives are anticipated to increase $445,000 due to the retirement of 39 staff members in fiscal year 2006 to be paid during the forecast period compared with the retirement of 29 staff members in fiscal year 2005 that were paid in fiscal year 2006.

The School District offered a one-time retirement incentive bonus of $30,000 to certified employees who were eligible to retire and who chose to retire and notify the School District of their retirement as of July 1, 2006, August 1, 2006, or September 1, 2006. Those employees were required to have their retirement documentation submitted to the School District no later than October 1, 2006. The retirement incentive bonus is made in six equal payments in October and January of three consecutive years after retirement.

The School District offers an attendance bonus for its employees. These bonuses are anticipated to remain relatively consistent from fiscal year 2006 to fiscal year 2007.

Presented below is a comparison of salaries and wages for fiscal years 2004, 2005, 2006 and the forecast period.

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Certified Salaries	$37,988,000	$39,557,000	$41,703,000	$38,688,000	($3,015,000)
Classified Salaries	11,998,000	13,020,000	13,484,000	12,689,000	(795,000)
Substitute Salaries	4,079,000	3,844,000	3,995,000	3,034,000	(961,000)
Supplemental Contracts	149,000	149,000	168,000	149,000	(19,000)
Severance Pay and Retirement Incentives	64,000	102,000	612,000	1,057,000	445,000
Other Salaries and Wages	24,000	21,000	33,000	28,000	(5,000)
Totals	$54,302,000	$56,693,000	$59,995,000	$55,645,000	($4,350,000)

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. 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 in employer retirement contributions is due to the reduction in staff that occurred for fiscal year 2007.

Health care costs are based on monthly payments to the School District's self-insurance fund at rates recommended by the third party administrators and agreed to by the Board of Education. Health care plan rates are fixed for a twelve month period from January through December. The School District pays 100 percent of the monthly plan rates for all employees except for 4 hour employees who pay 40 percent of the monthly plan rates, and administrators, non-union and long-term substitutes who pay 10 percent of the monthly plan rates. The health care program includes medical, prescription drug, dental care, and vision. The individual monthly plan rates for fiscal year 2007 increased as compared with the plan rates paid in fiscal year 2006. Plan rates for single health care increased by 2.4 percent and the plan rates for family health care increased by 6.1 percent in January 2007; however, the increase is offset by staff reductions and retirements. The School District made thirteen monthly payments during fiscal year 2006 accumulating a cash balance large enough to enable the School District to make only 11 monthly payments during fiscal year 2007. The forecasted health care costs are based on the actual expenditures (seven months) plus an additional four payments based on the amount paid in January 2007.

Life insurance plan rates are based on seven months of actual life insurance payments and five payments based on the amount paid in January 2007.

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. The premium for calendar year 2006, due in May 2007, decreased from $.93 per hundred dollars of payroll to $.79 per hundred dollars of payroll. In 2004 and 2005, the State Workers' Compensation System granted all local government employers a premium reduction of 20 percent.

The School District anticipates paying unemployment benefits of $168,000 during fiscal year 2007, an $113,000 increase from the prior year. This increase is due to the reduction in staff for fiscal year 2007.

Presented below is a comparison of fiscal years 2004, 2005, 2006 and the forecast period:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Employer's Retirement	$7,545,000	$7,849,000	$8,386,000	$8,149,000	($237,000)
Health Care/Life Insurance	10,743,000	11,547,000	13,336,000	11,961,000	(1,375,000)
Workers' Compensation	1,024,000	894,000	608,000	444,000	(164,000)
Medicare	449,000	483,000	534,000	378,000	(156,000)
Unemployment	46,000	41,000	55,000	168,000	113,000
Tution Reimbursement	7,000	5,000	5,000	7,000	2,000
Totals	$19,814,000	$20,819,000	$22,924,000	$21,107,000	($1,817,000)

C. - Purchased Services

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

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Professional and Technical Services	$1,329,000	$1,496,000	$959,000	$839,000	($120,000)
Property Services	1,086,000	1,644,000	1,594,000	2,107,000	513,000
Travel and Meeting Expenses	103,000	98,000	151,000	158,000	7,000
Communication Costs	593,000	1,096,000	600,000	495,000	(105,000)
Utility Services	2,672,000	2,954,000	4,053,000	4,161,000	108,000
Trade Services	2,000	2,000	3,000	3,000	0
Tuition Payments	16,388,000	20,414,000	22,359,000	25,809,000	3,450,000
Pupil Transportation	2,066,000	1,246,000	1,452,000	1,637,000	185,000
Totals	$24,239,000	$28,950,000	$31,171,000	$35,209,000	$4,038,000

Property services will increase due to lease payments for a new telephone system and the bus garage, and the Qualified Zone Academy Bonds for renovations and remodeling of school buildings in the School District. Utility services are forecasted to increase due to an increase in consumption and the cost of gas and electric. Tuition payments are increasing due to payments to community schools. Pupil transportation is anticipated to increase based on the per pupil cost increasing from fiscal year 2006 to 2007.

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 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	$1,329,000	$1,346,000	$1,196,000	$1,156,000	($40,000)
Operations, Maintenance and Repair	890,000	985,000	944,000	1,021,000	77,000
Textbooks	817,000	597,000	637,000	462,000	(175,000)
Totals	$3,036,000	$2,928,000	$2,777,000	$2,639,000	($138,000)

Supplies and materials are forecasted to decrease due the School District's replacement and purchase of textbooks in prior fiscal years as well as a decline general supplies because of a decline in students.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. The decrease of $620,000 from fiscal year 2006 is due to the School District purchasing one new bus and computers in fiscal year 2006 with no similar purchases anticipated in fiscal year 2007.

F. – Debt Service

During fiscal year 2006, the School District made the last payment on the Asbestos loan. The School District does not have any general fund supported debt outstanding.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. The $6,000 decrease is due primarily to a decrease in election expenses and property tax collection fees. In fiscal year 2006, the School District had election expenses related to the August 2005 election.

H. - Operating Advances/Transfers Out

Advances out of $681,000 are anticipated during fiscal year 2007 to the Bond Retirement Fund for repayment of monies used in fiscal years 2004 and 2006 to pay general fund debt. Transfers out of $40,000 were made to help cover operating costs in the athletic fund.

I. – All Other Financing Uses

During fiscal years 2005 and 2006, the School District returned unused grant monies. During fiscal year 2007, the School District does not anticipate any other financing uses.

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 as of June 30, 2006 were $1,674,000 and are forecasted to remain the same for fiscal year 2007.

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.

Beginning in fiscal year 2006, House Bill 66 allows school districts in fiscal emergency to set aside less than the annual required set aside amount or set aside nothing in textbooks and instruction materials and the capital and maintenance set asides. The Board of Education, by resolution, has chosen to set aside no current year revenue in the textbooks and instructional materials set aside for fiscal year 2007.

A. – Budget Reserve

Effective April 10, 2001, Amended Senate Bill 345, deleted from law the requirement for school districts to establish a reserve for budget stabilization. During fiscal year 2007, the School District's budget reserve of $477,000 will be used to reduce the deficit.

B. - Textbooks and Instructional Materials Set-Aside

The School District had a carryover balance of $345,000 from fiscal year 2006. The School District anticipates $462,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is forecasted for textbook and instructional materials.

C. - Capital and Maintenance Set-Aside

The set aside amount for fiscal year 2007 is $1,356,000. The School District anticipates $1,330,000 in offsets and $95,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is forecasted for capital acquisition and improvements.

D. – Bus Purchases

At June 30, 2006, the School District had $216,000 in unspent bus monies. The School District anticipates a $53,000 bus purchase allowance during fiscal year 2007. The School District does not anticipate spending any money on the purchase of new buses in fiscal year 2007, leaving a reserve balance of $269,000 forecasted for bus purchases.

E. – Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2006, the School District had $167,000 in unspent Poverty Based assistance monies. The School District anticipates receiving $10,529,000 in restricted Poverty Based Assistance monies during fiscal year 2007. The School District anticipates spending $10,696,000 of the Poverty Based Assistance funding during the current fiscal year leaving no reserve balance forecasted for Poverty Based Assistance.

Note 10 - Levies

In November 2006, 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. In the past ten years, the School District has placed four levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
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

Note 11 – Youngstown Benefits Self-Insurance Fund

The School District provides medical/surgical, prescription drug, vision and dental benefits through a self-insured program. The third party administrators process 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 fund purchases annual stop loss coverage for claims in excess of $200,000 per person, per year and $13,186,608 per year in the aggregate. The School District anticipates the monthly payments from the contributing funds to be sufficient to cover the costs of claims and administrative costs for the fiscal year.

Note 12 – 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 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 recovery plan does not address periods beyond fiscal year 2008.

Note 13 - 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. Management has not revised and filed a financial plan with the Ohio Department of Education that takes into account current conditions and the financial recovery plan adopted by the Financial Planning and Supervision Commission.

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 20, 2007

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