



Dave Yost • Auditor of State

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

Fiscal Emergency Termination

Local Government Services Section

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**Youngstown City School District
Mahoning County**

Fiscal Emergency Termination

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CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Youngstown City School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Youngstown City School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Youngstown City School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Youngstown City School District Financial Planning and Supervision Commission and its role in the operation of the Youngstown City School District is terminated as of March 29, 2011.

Accordingly, this report is hereby submitted to the Youngstown City School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Jay Williams, Mayor of the City of Youngstown, and Deborah S. Delisle, State Superintendent of Public Instruction.

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

DAVE YOST
Auditor of State

March 29, 2011

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Youngstown City School District – Mahoning County

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

At the request of the Financial Planning and Supervision Commission of the Youngstown City School District (the Commission), Mahoning County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

Effective March 2, 2006, the Department of Education declared the Youngstown City School District (the School District) to be in a state of Fiscal Caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2006 and 2007.

The Auditor of State declared the School District in Fiscal Watch on June 16, 2006. This declaration was based upon a determination by the Department of Education that the School District had not provided an acceptable written proposal for correcting the budgetary conditions that prompted the declaration of fiscal caution and for preventing the School District from experiencing further fiscal difficulties. Upon reviewing the School District's five-year forecast filed with the Department of Education on June 2, 2006, which included a deficits for the fiscal years ending June 30, 2006 and 2007, the Auditor of State found the Department of Education's request that the School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the declaration of fiscal watch is required to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Youngstown City School District Board of Education failed to submit an acceptable plan to the Superintendent of Public Instruction. Accordingly, the Auditor of State declared the School District to be in a state of Fiscal Emergency under Section 3316.03(B)(2) of the Ohio Revised Code on November 16, 2006. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

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

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

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The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 - Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Youngstown City School District and issued a Report on Accounting Methods, dated April 15, 2009. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Financial Accounting Report. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The School District should update its policy manual regarding its budgetary process. The manual should include policies that are designed to comply with Ohio Budgetary Law including the level at which the Board adopts appropriations and the nature of the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board. In addition, the policies should address the five-year forecast and the circumstances under which the Board wants the forecast updated and filed in addition to the dates it is to be filed with the Department of Education. The policies need not restate the statutory requirements. The policies should also require the Treasurer to report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board.

Implemented:

The Board has updated its policy manual regarding the budgetary process to address compliance with Ohio Budgetary Law and the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board. The policy addresses the five-year forecast as well as the dates it is to be filed with the Department of Education. The policy requires the Treasurer to report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board. The School District passed a resolution which set the legal level of control for appropriations.

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Auditor of State Comment from Report on Accounting Methods:

- The Board adopts appropriations and at the same time the Treasurer amends the certificate of estimated resources to support appropriations. The Treasurer should request an amended certificate based on reasonable estimates and/or actual receipts. Appropriations should be limited to the estimated resources reflected on the amended certificate at the time of adoption.

Implemented:

The Treasurer currently amends the certificate of estimated resources prior to requesting the Board to amend appropriations. The School District's most recent certificate of estimated resources is dated January 14, 2011. The Board approved amended appropriations on January 25, 2011. There were three grant funds where the appropriations exceeded estimated resources. The Treasurer has developed procedures in which the Grants Manager will review estimated resources and appropriations prior to requesting the Board to amend appropriations to assure that this does not occur in the future. The appropriations in the accounting system has been reduced to prevent deficit spending. The appropriations for these funds will be adjusted the next time appropriations are presented to the Board.

Auditor of State Comment from Report on Accounting Methods:

- The Board adopts permanent appropriations prior to meeting the statutory criteria for the adoption of permanent appropriations. Section 5705.38, Revised Code, indicates that annual appropriations should be adopted by October 1 provided an amended certificate of estimated resources or a certification that no amended certificate need be issued has been received from the county budget commission (Refer to Auditor of State bulletin 98-012). The Board has been approving permanent appropriations prior to receiving an amended certificate or a certification that no amended certificate is needed from the county budget commission in violation of Ohio budgetary law.

Implemented:

The School District currently adopts permanent appropriations after receiving the amended certificate of estimated resources back from the County Auditor's office. Annual appropriations were approved on September 28, 2010, after receiving the amended certificate of estimated resources on September 28, 2010. The School District's most recent amendment to the certificate of estimated resources was certified by the County's Auditor's office on January 14, 2011 before amendments were made to appropriations on January 25, 2011.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not compare appropriations to estimated resources. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

Implemented:

The Treasurer compares appropriations to estimated resources by preparing a "Compliance" spreadsheet documenting the comparison of appropriations to estimated resources with each supplemental appropriations presented to the Board.

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Auditor of State Comment from Report on Accounting Methods:

- Appropriations are posted in the system prior to receiving the certificate from the county auditor indicating that appropriations are within estimated resources. Appropriations should be posted in the system when they become effective which is upon receipt from the county auditor of the certificate indicating that appropriations are within estimated resources.

Implemented:

Appropriations are entered into the School District's accounting system to produce the appropriation document needed to send to the County Auditor's office. There is no more than a two week lag between the appropriations being entered into the system and the appropriations being passed by the Board.

Auditor of State Comment from Report on Accounting Methods:

- Expenditures plus encumbrances for fiscal year 2007 exceeded appropriations in the general fund contrary to section 5705.41(B), Revised Code.

Implemented:

Expenditures plus encumbrances for fiscal year 2010 did not exceed final appropriations in the general fund. The Treasurer monitors appropriations monthly.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not issue 412 certificates for qualifying contracts. Section 5705.412, Revised Code, requires the School District to certify, prior to entering into a qualifying contract, that payment of the obligation will not affect the School District's ability to maintain all personnel and programs for the term of the contract. The certificate is to be attached to the qualifying contract and signed by the Treasurer, Superintendent, and President of the Board. If the School District is in a state of fiscal emergency, the certificate shall be signed by a member of the School District's Financial Planning and Supervision Commission who is designated by the Commission for this purpose. The certificate is to be attached to any qualifying contract.

Implemented:

The School District currently issues 412 certificates for qualifying contracts. The certificate is attached to the qualifying contract and signed by the Treasurer, Superintendent, and President of the Board.

Auditor of State Comment from Report on Accounting Methods:

- The School District presents supplemental appropriations to the Board in lump sum amounts. Supplemental appropriations presented to the Board for approval should identify changes in the appropriation amount rather than presenting the new appropriation as a lump sum.

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Implemented:

The Board approves supplemental appropriations by individual funds. The supplemental appropriations presented to the Board identifies the original appropriations, the new appropriations along with a column showing the change.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have written procedures for the receipt and recording of revenues. Documented procedures for the receipt and recording of revenues should be prepared and given to all departments involved in the receipt and processing of revenues.

Implemented:

The School District has developed written procedures for the receipt and recording of revenues for all individuals that receive and record revenues.

Auditor of State Comment from Report on Accounting Methods:

- Cafeteria receipts are posted in a monthly lump sum amount one month in arrears. Cafeteria receipts should be posted on a timelier basis.

Implemented:

The School District posts cafeteria receipts on a weekly basis.

Auditor of State Comment from Report on Accounting Methods:

- Some deposits are taken to the bank in an envelope. All deposits should be taken to the bank in a sealed bank bag to reduce the likelihood of loss or theft.

Implemented:

The School District purchased non-tamper envelopes from the bank. The non-tamper envelopes are utilized to deposit money from all School District locations.

Auditor of State Comment from Report on Accounting Methods:

- During most student activity fundraisers, the money collected is only turned in to the building treasurer at the end of the fundraiser. The School District should require money collected from fundraisers to be turned in on a daily basis.

Implemented:

The School District has adopted a Student Activity Handbook, which requires that all money collected from student activity fundraisers to be turned in to the Treasurer's Office within 24 hours of receipt.

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Auditor of State Comment from Report on Accounting Methods:

- The School District should adopt a policy regarding the deposit of monies. The policy should also address procedures for deposits less than \$1,000 that complies with Section 9.38 of the Ohio Revised Code.

Implemented:

The School District has adopted a policy regarding the deposit of monies. The policy addresses procedures for deposits more than and less than \$1,000.

Auditor of State Comment from Report on Accounting Methods:

- Each school building's cafeteria receipts are deposited separately from all other receipts of the building. There should only be one person making daily deposits for each building.

Implemented:

For internal control purposes, the School District has decided to keep this process in place. The building secretaries and food service supervisors will be responsible for making deposits according to the current Deposit of Public Funds Policy. The reason for this policy has to do with the size the deposits for food service could potentially be. The School District limits the number of individuals who come in contact with the deposit. Each day the cafeteria deposits are picked up at each school building by a Brink armor truck which delivers the deposits to the bank on the School District's behalf.

Auditor of State Comment from Report on Accounting Methods:

- Monies received by the Treasurer's office are not secured in a safe or locked drawer. Currently, the monies are kept in a green zipper bag on the Accounts Receivable/Student Activities Secretary's desk until the daily deposit is made. The daily monies received by the Treasurer's office should be locked and secured.

Implemented:

All money is kept in a locked filing cabinet during the day and the safe at night until the deposit can be made.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District does not perform a search of the Auditor of State's Findings for Recovery website. The School District should perform a search of the Auditor of State's Findings for Recovery website and keep a printed copy of the results of the search on file as proof of verification of vendors.

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Implemented:

The School District does perform a search of the Auditor of State’s Findings for Recovery website and prints copy of the results as proof of verification of vendors. The School Board has adopted a policy on prohibiting contracting with a person against whom an unresolved finding for recovery has been issued by the Auditor of State.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not perform a search of the United States Department of State’s terrorist exclusion list website. The School District should perform a search of the United States Department of State’s terrorist exclusion list website and keep a printed copy of the results of the search on file as proof of verification of vendors.

Implemented:

The School District does perform a search of the United States Department of State’s terrorist exclusion list website and prints copy of the results as proof of verification of vendors. The School District has adopted a policy requiring the completion of a Declaration of Material Assistance form with no positive indications that material assistance has been provided to a terrorist organization is required of each private person or entity with whom the Board intends to enter into a contract that amounts to an aggregate of greater than \$100,000 annually.

Auditor of State Comment from Report on Accounting Methods:

- Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the board of education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the board of education. The Treasurer continues to issue blanket certificates under the old statutory restriction of 90 days and \$5,000. The board of education should adopt a resolution that identifies the maximum dollar amount for blanket certifications/purchase orders.

Implemented:

The School District has adopted a resolution that identifies the maximum dollar at \$10,000 for blanket certifications/purchase orders. The School District’s policy on blanket certifications/purchase orders follows State statute.

Auditor of State Comment from Report on Accounting Methods:

- The Board President approves “Then and Now” certifications/purchase orders in excess of \$1,000. The School District should have “Then and Now” purchase orders in excess of \$3,000 approved by resolution of the Board. Section 5705.41(D), Revised Code, allows the fiscal officer to certify and pay obligations of less than \$3,000 and the Board, by resolution, to authorize payment for amounts greater than \$3,000. While the Board may require approval by the Board President of amounts over \$1,000, amounts greater than the statutory amount must be approved by Board resolution.

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Implemented:

The School District updated its purchases policy to allow the Treasurer to approve “Then and Now” purchase orders of less than \$3,000 without prior approval of the Board through resolution. All other “Then and Now” purchase orders must be approved by the Board through resolution. The School District rarely has a “Then and Now” purchase order over \$3,000 but when they occur they are approved through Board resolution.

Auditor of State Comment from Report on Accounting Methods:

- Purchase order numbers are assigned based on a purchase order register and must be entered manually by the Purchasing Secretary. The purchase order numbers should be assigned automatically by the accounting system.

Implemented:

The School District has all purchase order numbers assigned automatically by the accounting system.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received, when an invoice exceeds the purchase order/fiscal officer certification of funds, and the use of “Then and Now” certifications. The document should be kept on file in the Treasurers’ office.

Implemented:

The School District adopted board policy outlining the purchasing process. Procedure documents exist for all appropriate personnel to use which outlines the process to follow before an invoice is paid including when partial payments need to be made and “Then & Now” certifications are needed. There is a separate document created for the treasurer’s office and the business office.

Auditor of State Comment from Report on Accounting Methods:

- The Accounts Payable Secretary in the Business office does not usually receive the packing slip from the employee that received the goods. After verification of the goods received, the employee should send the packing slip to the Business office.

Implemented:

The Accounts Payable Clerk in the Business Office receives the initialed packing or delivery slip attached to the blue receiving copy of the purchase order for payment preparation in accordance with School District purchasing procedures.

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Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not review any checks after they are printed and electronically signed. The Treasurer should compare the printed checks to the voucher to ensure that the checks are payable to the same vendor, the amount agrees to the invoice, and proper approvals have been obtained.

Implemented:

The Treasurer has put in place procedures to verify printed checks are prepared correctly. Any check printed for ten thousand dollars or greater is reviewed and approved by the Treasurer before mailed to the vendor. Any check printed in an amount that is between five thousand dollars and ten thousand dollars is reviewed and approved by an Accountant before mailed to the vendor. The Treasurer or an Accountant on a random basis reviews checks printed for less than five thousand dollars. These spot checks are performed on random days each month.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The Board policies on the capitalization and inventory control threshold are not being followed. The current policies state that an asset must have a minimum value of \$5,000 to be capitalized; however, the School District is capitalizing assets with a value of only \$1,000 or greater. The School District should update its policies to reflect what assets it capitalizes.

Implemented:

The School District recently updated all Board policies concerning capital assets. Through Board Resolution, the capital asset threshold was confirmed. The School District recently had all capital assets reappraised by Valuation Engineers. The analysis is complete and the School District has the final reports from Valuation Engineers. Valuation Engineers' amounts reflect the threshold of \$5,000 for all capitalized assets.

Auditor of State Comment from Report on Accounting Methods:

- The School District's consumable inventory procedures should be updated to include the items to be inventoried, method to be used, and the individuals responsible for verifying the count. The procedures should include a standard form for counting fiscal year end inventory.

Implemented:

The School District has updated inventory procedures. The procedures address the items to be inventoried, method to be used and the individuals responsible for verifying the count. The information included on a standard form provided for the counting of fiscal year end inventory is also described.

Auditor of State Comment from Report on Accounting Methods:

- The School District's capital asset system does not contain reliable values for buildings and therefore a separate spreadsheet must be maintained to track buildings. The School District should correct the values in the capital asset system for buildings.

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Implemented:

The School District contracted with Valuation Engineers to perform a revaluation of all capital assets. Valuation Engineers completed the revaluation and provided the School District with the results. Buildings are no longer kept on a separate spreadsheet.

Auditor of State Comment from Report on Accounting Methods:

- The School District's capital assets policy does not provide guidance regarding the disposal of capital assets. The capital asset policy should provide guidance on how to dispose of capital assets.

Implemented:

The School District has adopted policies addressing the disposal of capital assets. The policy provides guidance on how to dispose of real/personal property, surplus property and nonfixed-asset property.

Auditor of State Comment from Report on Accounting Methods:

- The School District's capital assets policy does not identify which individual assets under the capitalization threshold should be tracked for insurance purposes only. The various departments currently decide which assets should be tracked. The School District's capital asset policy should identify which individual assets should be tracked for insurance purposes only to allow for uniform implementation among departments.

Implemented:

The School District recently updated their capital assets policy. The School District's policy does state that items will be tracked for insurance and inventory purposes even when they do not meet the capitalization threshold. These items have been identified through board resolution as any asset purchased costing \$500 or greater.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not review monthly bank reconciliations. He should review the monthly bank reconciliations as well as initial and date them to indicate when they were reviewed for accuracy and completeness.

Implemented:

Monthly reconciliations are completed by the Treasurer and an accountant and presented to the Board of Education at the meeting following the completion of the reconciliation. The Monthly reconciliation is signed and dated by both the Treasurer and Head Accountant.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have an agreement securing deposits that meets the FIRREA requirements.

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Implemented:

The School District has agreements securing deposits that meet the FIRREA requirements with three different banks. The agreement with Chase was approved on August 22, 2006. Agreements with Charter One and Fifth Third Bank were approved on June 22, 2010.

Auditor of State Comment from Report on Accounting Methods:

- The School District has an investment policy which is not signed and dated by the Board, Treasurer or entities conducting investment business with the Treasurer or the Board. The investment policy should be signed and dated by the Board, the Treasurer and entities conducting investment business with the Treasurer or the Board as prescribed in Section 135.14 (O)(1), Revised Code.

Implemented:

The School District's investment policy is signed and dated by the Board, the Treasurer and the entities conducting business with the School District.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have a policy for distribution of interest income. The School District should adopt a policy for the distribution of interest income.

Implemented:

The School Board has passed a resolution indicating the distribution of interest income.

Auditor of State Comment from Report on Accounting Methods:

- The School District currently has one checking account that receives daily deposits and another checking account that writes operating checks. The School District should consider combining these accounts.

Implemented:

The School District has their checking accounts set up this way for reconciling and control purposes. The daily deposit account accepts only daily deposits and acts as a sweep account that transfers money daily into the operating checking account and payroll checking account. The operating checking account and payroll checking account is strictly a clearing account. The School District informs the bank on a daily basis about the check numbers and dollar amount of those check numbers issued. Only checks that match the data received will be paid by the bank when received. The bank will transfer money as needed daily to the operating account and payroll account to cover checks. At the end of the day operating and payroll accounts have a zero balance.

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Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- In accordance with Section 117.38, Revised Code, the School District should publish in a local newspaper that the financial report is available for public inspection at the office of the Treasurer. The public notice may read as follows:

The (name of the annual financial report) of the Youngstown City School District for the year ended (date) has been completed and is available for public inspection in the office of the Treasurer at (address) between (office hours). A copy of the report can be provided upon request.

Implemented:

The School District does publish in the local newspaper that the financial report is available for public inspection at the office of the Treasurer. The financial statements for the fiscal year ending June 30, 2010, were the most recent statements published in the local newspaper.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements for the fiscal year ended June 30, 2009, on November 9, 2010. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. These documents disclosed non-compliance issues with State laws, regulations, contracts, and grant requirements relating to the audit for 2009. The letters identified non-compliance issues with Budgetary law and grant cost allocation. The management letter for fiscal year 2009 included recommendations on student activities, payroll time sheets, capital assets, and federal cash management and reporting.

The School District has corrected the issues identified in the compliance and management letter; therefore, the Auditor of State has concluded that the issues identified in the Compliance and Management letter do not require that the School District's release from fiscal emergency be delayed.

Section 2 - Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.

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2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

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

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Section 3 - Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District, dated April 22, 2010. The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

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1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.

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

1. Continued monitoring of operating expenditures;
2. Continued monitoring of personnel; and
3. Continued preparation by the School District of monthly reports of receipts, expenditures, and encumbrances, monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education.

Section 4 - Five-year Forecast

The Auditor of State examined the School District’s financial forecast for the fiscal years ending June 30, 2011 through 2015, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School Districts’ five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2015. The Auditor of State, in a report dated March 8, 2011, rendered a “nonadverse” opinion on the financial forecast.

Section 5 - Conclusion

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

1. The School District has adopted and implemented an effective accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

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

Youngstown City School District – Mahoning County
Report on Termination of the Youngstown City School District
Financial Planning and Supervision Commission

DISCLAIMER

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

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APPENDIX A

Youngstown City School District
Mahoning County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2011 through June 30, 2015

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Youngstown City School District – Mahoning County

Fiscal Emergency Termination

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Dave Yost • 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 years ending June 30, 2011 through 2015. 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 School District will receive the same amount of State Unrestricted grants-in-aid for fiscal years 2011 through 2014, and one percent base salary increases for fiscal years 2013 through 2015. The assumptions identify the uncertainty with these items and that they could have a material effect on the outcome of the forecast. These matters are further discussed in Notes 6C and 7A, respectively, in the Summary of Significant Accounting Policies and Assumptions.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the Youngstown City School District for the fiscal years ended June 30, 2008, 2009 and 2010 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. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. 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.

DAVE YOST
Auditor of State

March 8, 2011

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Youngstown City School District
Mahoning County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2008 Through 2010 Actual;
For the Fiscal Years Ending June 30, 2011 Through 2015 Forecasted
General Fund

	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Forecasted
Revenues				
General Property Tax	\$16,281,000	\$17,236,000	\$19,823,000	\$20,540,000
Tangible Personal Property Tax	3,183,000	1,762,000	278,000	118,000
Unrestricted Grants-in-Aid	64,754,000	68,013,000	74,696,000	74,409,000
Restricted Grants-in-Aid	13,729,000	14,234,000	994,000	1,001,000
Restricted Federal Grants-in-Aid-SFSF	0	0	5,025,000	7,725,000
Property Tax Allocation	4,729,000	4,084,000	8,789,000	7,723,000
All Other Revenues	3,614,000	3,465,000	2,908,000	2,954,000
<i>Total Revenues</i>	<u>106,290,000</u>	<u>108,794,000</u>	<u>112,513,000</u>	<u>114,470,000</u>
Other Financing Sources				
Manuscript Note Proceeds	0	5,290,000	0	0
Solvency Assistance Advance	10,380,000	3,000,000	0	0
Advances In	712,000	203,000	101,000	876,000
<i>Total Other Financing Sources</i>	<u>11,092,000</u>	<u>8,493,000</u>	<u>101,000</u>	<u>876,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>117,382,000</u>	<u>117,287,000</u>	<u>112,614,000</u>	<u>115,346,000</u>
Expenditures				
Personal Services	50,845,000	45,459,000	42,026,000	42,027,000
Employees' Retirement/Insurance Benefits	20,417,000	18,395,000	19,116,000	18,261,000
Purchased Services	35,613,000	37,896,000	37,886,000	38,133,000
Supplies and Materials	2,766,000	1,607,000	1,745,000	1,720,000
Capital Outlay	94,000	142,000	36,000	253,000
Debt Service:				
Principal-Solvency Assistance Advance	7,512,000	12,703,000	6,690,000	1,500,000
Principal-Manuscript Debt	0	0	1,323,000	1,322,000
Interest	0	0	67,000	60,000
Other Objects	1,092,000	1,025,000	1,081,000	1,084,000
<i>Total Expenditures</i>	<u>118,339,000</u>	<u>117,227,000</u>	<u>109,970,000</u>	<u>104,360,000</u>
Other Financing Uses				
Transfers Out	1,121,000	37,000	82,000	40,000
Advances Out	203,000	101,000	876,000	200,000
All Other Financing Uses	100,000	22,000	0	0
<i>Total Other Financing Uses</i>	<u>1,424,000</u>	<u>160,000</u>	<u>958,000</u>	<u>240,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>119,763,000</u>	<u>117,387,000</u>	<u>110,928,000</u>	<u>104,600,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(2,381,000)</u>	<u>(100,000)</u>	<u>1,686,000</u>	<u>10,746,000</u>
Cash Balance July 1	3,795,000	1,414,000	1,314,000	3,000,000
Cash Balance June 30	<u>1,414,000</u>	<u>1,314,000</u>	<u>3,000,000</u>	<u>13,746,000</u>
Encumbrances and Reserves of Fund Balance				
Actual/Estimated Encumbrances June 30	353,000	243,000	200,000	200,000
Reserves for:				
Bus Purchases	468,000	621,000	621,000	521,000
Total Encumbrances and Reserves of Fund Balance	<u>821,000</u>	<u>864,000</u>	<u>821,000</u>	<u>721,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	593,000	450,000	2,179,000	13,025,000
Revenue from Renewal Levies				
Property Tax - Renewal	0	0	0	0
Cumulative Balance of Renewal Levies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30 with Renewal Levies	<u>\$593,000</u>	<u>\$450,000</u>	<u>\$2,179,000</u>	<u>\$13,025,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See Independent Accountant's Report

Fiscal Year 2012 Forecasted	Fiscal Year 2013 Forecasted	Fiscal Year 2014 Forecasted	Fiscal Year 2015 Forecasted
\$20,508,000	\$18,260,000	\$15,989,000	\$15,973,000
0	0	0	0
74,409,000	74,409,000	74,409,000	75,897,000
1,001,000	1,021,000	1,041,000	1,062,000
0	0	0	0
7,720,000	7,476,000	6,900,000	4,811,000
3,087,000	2,944,000	2,827,000	2,827,000
<u>106,725,000</u>	<u>104,110,000</u>	<u>101,166,000</u>	<u>100,570,000</u>
0	0	0	0
0	0	0	0
<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
<u>106,925,000</u>	<u>104,310,000</u>	<u>101,366,000</u>	<u>100,770,000</u>
43,265,000	44,578,000	45,187,000	46,307,000
18,336,000	18,623,000	18,916,000	19,216,000
36,373,000	36,965,000	37,559,000	38,178,000
2,074,000	1,821,000	2,799,000	1,899,000
263,000	273,000	284,000	296,000
0	0	0	0
1,323,000	1,322,000	0	0
40,000	20,000	0	0
<u>1,007,000</u>	<u>1,018,000</u>	<u>1,028,000</u>	<u>1,039,000</u>
<u>102,681,000</u>	<u>104,620,000</u>	<u>105,773,000</u>	<u>106,935,000</u>
40,000	40,000	40,000	40,000
200,000	200,000	200,000	200,000
0	0	0	0
<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>
<u>102,921,000</u>	<u>104,860,000</u>	<u>106,013,000</u>	<u>107,175,000</u>
4,004,000	(550,000)	(4,647,000)	(6,405,000)
<u>13,746,000</u>	<u>17,750,000</u>	<u>17,200,000</u>	<u>12,553,000</u>
<u>17,750,000</u>	<u>17,200,000</u>	<u>12,553,000</u>	<u>6,148,000</u>
200,000	200,000	200,000	200,000
<u>417,000</u>	<u>309,000</u>	<u>196,000</u>	<u>79,000</u>
<u>617,000</u>	<u>509,000</u>	<u>396,000</u>	<u>279,000</u>
17,133,000	16,691,000	12,157,000	5,869,000
0	2,492,000	5,005,000	5,005,000
0	2,492,000	7,497,000	12,502,000
<u>\$17,133,000</u>	<u>\$19,183,000</u>	<u>\$19,654,000</u>	<u>\$18,371,000</u>

Youngstown City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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 fifteen instructional buildings and an administrative building. The School District is staffed by 380 classified and 644 certificated personnel to provide services to approximately 6,541 students and other community members.

On November 16, 2006, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(2) by the Auditor of State. The declaration was 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 be in accordance with the plan.

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 8, 2011, 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, the education jobs grant fund, the state fiscal stabilization fund and the general fund supported debt are included in the general fund.

Youngstown City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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 revenues 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 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 records 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 and report the proceeds of specific ongoing revenue sources (other than for major capital projects) that are restricted or committed to expenditure for operation of a specific program.

Debt Service Funds - Debt service funds account for and report financial resources that are restricted, committed, or assigned to the payment of general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital assets (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.

Youngstown City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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 fiscal 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 fiscal year. The appropriation measure may be amended or supplemented during the fiscal 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 and anticipated school calendars 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.

Youngstown City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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 and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. 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 2011 (the collection year) for real and public utility property taxes represents collections of 2010 taxes (the tax year). Property tax payments received during calendar year 2011 for tangible personal property (other than public utility property) are for delinquent 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".

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 2012 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 2011 through 2015.

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, first and last year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>First Calendar Year of Collection</u>	<u>Last Calendar Year of Collection</u>	<u>Full Tax Rate (per \$1,000 of assessed valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$4.20
Continuing Operating	1976	1977	n/a	27.90
Continuing Operating	1988	1989	n/a	14.50
Emergency (\$5,291,000)	2008	2009	2012	10.00
Total Tax Rate				<u>\$56.60</u>

The School District also has levies for bonded debt and school facilities maintenance totaling \$3.90 per \$1,000 of assessed valuation. The School District's total rate is \$60.50 per \$1,000 of assessed valuation.

Youngstown City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. 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 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 at \$40.76 per \$1,000 of assessed valuation for collection year 2011, and the effective commercial and industrial real property tax rate is \$51.58 per \$1,000 of assessed valuation for collection year 2011.

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. General property tax represents gross property tax revenue and is based upon anticipated assessed valuations and existing tax levies. Assessed values for tax year 2010 (collection year 2011) decreased due to demolition and destruction of condemned and/or abandoned buildings and a decline in new construction. Due to current economic conditions in the City of Youngstown, no increases or decreases in assessed values are anticipated for the remaining forecast periods. The School District's total delinquent taxes outstanding as of June 30, 2010 are \$13,425,139.

The School District has an emergency levy with the last year of collection in calendar year 2012. Beginning in fiscal year 2013, property taxes are anticipated to decrease due to the expiration of the emergency levy. While the School District anticipates renewing this levy, voter approval is uncertain and the tax revenues have been excluded from the revenue section and presented under the heading Revenue from Renewal Levies. The estimated renewal levy is presented net of estimated delinquencies.

Tangible Personal Property Tax - Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2010 from general business taxpayers and no tangible personal property on telephone property will be collected in 2011. The School District, based on the last year of collections before the phase out period, lost approximately \$4,967,000, annually. The State of Ohio

Youngstown City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

reimbursed 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). The decrease in revenue during fiscal years 2009 through 2011 is a result of the tax changes above.

B. - Unrestricted and Restricted Grants-in-Aid

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The semi-annual payments were 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 multiplied by the school district's taxable property valuation. The per pupil foundation level was set by the State Legislature. Beginning in fiscal year 2008, the per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

The per pupil amounts for fiscal years 2008 and 2009 are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Per Pupil</u> <u>Foundation Level</u>	<u>Building</u> <u>Blocks</u>	<u>Total</u>
2008	\$5,565	\$49	\$5,614
2009	5,732	51	5,783

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 22 mills for fiscal years 2010 and 2011, 21 mills for fiscal years 2012 and 2013 and 20 mills for fiscal year 2015.

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount are phased in over a five year period. For fiscal year 2011, the Youngstown City School District estimates \$74,409,000 in adequacy funding. The \$287,000 decrease in unrestricted grants-in-aid is due to adjustments to the fiscal year 2010 formula in fiscal year 2011.

Youngstown City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
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In fiscal year 2011, approximately eight percent of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see Restricted Federal Grants-in-Aid).

The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2011 will be set as part of the State's biennial budget for fiscal years 2012 and 2013. Due to the economic conditions within the State and the anticipated short fall in tax revenues in the next biennial budget, the level at which the State will fund schools is uncertain. State Foundation revenues for fiscal years 2012 to 2014 are presented at the same funding level as fiscal year 2011 and fiscal year 2015 is forecasted to increase two percent. If the State decreases funding for schools in fiscal years 2012 and 2013 and the same level continues through fiscal year 2015, the decrease will have a material effect on this forecast. A decrease in State funding equal to one percent of the School District's foundation revenue would decrease Unrestricted State Grants-in-Aid by \$744,000 for the current fiscal year and each fiscal year thereafter. The cumulative effect on fund balance in fiscal year 2015 is a decrease of \$2,976,000.

Restricted Grants-in-Aid

In fiscal years 2008 and 2009, restricted grants-in-aid consisted of career technologies, bus purchase, parity aid and poverty based aid monies. For fiscal year 2011, the School District expects to receive \$1,001,000 in career technologies monies and does not anticipate any poverty based assistance or bus purchase allowance monies as they are considered part of basic aid.

C. - Restricted Federal Grants-in-Aid

Restricted Federal grants-in-aid consist of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The Youngstown City School District, based on estimates provided by the Department of Education, anticipates \$5,528,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries. SFSF has not been reauthorized by the State of Ohio and; therefore, SFSF is not included in the five-year forecast beyond fiscal year 2011. Currently, there is no reasonable basis to assume that the State of Ohio will increase State Funding for schools to cover/make up the amount of the SFSF funds distributed to the School Districts

In 2010, Congress passed and the President has signed legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. The Youngstown City School District, based on estimates provided by the Department of Education, anticipates \$2,197,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds in fiscal year 2012 for salaries and benefits for teachers.

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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. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption increased State allocation revenue and decreased property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback revenue will decrease in fiscal years 2013 through 2015 when the emergency levy expires.

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 of reductions through 2013. Beginning in fiscal year 2013, 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 the forecast period, the School District anticipates receiving a steady reimbursement for the tangible personal property tax losses until 2014 when the amount begins to decline, due to the phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Homestead and Rollback	\$1,971,000	\$1,968,000	\$1,724,000	\$1,482,000	\$1,480,000
Tangible Personal Property					
Loss Reimbursements	<u>5,752,000</u>	<u>5,752,000</u>	<u>5,752,000</u>	<u>5,418,000</u>	<u>3,331,000</u>
Totals	<u>\$7,723,000</u>	<u>\$7,720,000</u>	<u>\$7,476,000</u>	<u>\$6,900,000</u>	<u>\$4,811,000</u>

E. - All Other Revenues

All other revenues include tuition and open enrollment, transportation, interest on investments, E-rate reimbursements, rentals, other revenues, payments in lieu of taxes, and sale of capital assets.

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 from other school districts attending Youngstown City School District. Tuition and open enrollment revenue is expected to decrease in fiscal year 2012. The School District is forecasting this decrease based upon the assumption that due to the loss of funding from the state fiscal stabilization fund the tuition payments will also decrease. Fiscal year 2013 and 2014 are expected to level out and stay consistent until fiscal year 2014 when it is expected to decrease during the last two forecast years. This decrease is due to fewer students enrolling in the School District. The School District anticipates an increase in tuition related to special education excess costs in fiscal years 2011 through 2015 to offset a decrease in open enrollment revenue for the same period.

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Transportation, rental and E-Rate Reimbursement revenue are expected to remain consistent throughout the entire forecast period.

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 School District anticipates no significant change in interest or interest rates during the forecast period.

Other revenues consist of services provided to other entities such as charter schools, a general state grant from Youngtown State University and payments from ROTC. Other revenue is anticipated to remain consistent throughout the entire forecast period.

Payments in Lieu of Taxes consist of payments from Mahoning County in lieu of property taxes. Prior to calendar year 2009, developers paid 50 percent of the amount due while the other 50 percent was abated. For calendar year 2009, collection year 2010, the 50 percent abatement dropped off and the School District is now receiving 100 percent of the payment due to them.

All other revenues consist of the following:

Revenue Sources	Forecast				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Tuition and Open Enrollment	\$421,000	\$405,000	\$405,000	\$285,000	\$282,000
Transportation	331,000	331,000	331,000	331,000	331,000
Interest on Investments	91,000	94,000	97,000	100,000	103,000
E-Rate Reimbursements	452,000	452,000	452,000	452,000	452,000
Rentals	22,000	22,000	22,000	22,000	22,000
Other Revenue	666,000	666,000	666,000	666,000	666,000
Payments in Lieu of Taxes	967,000	967,000	967,000	967,000	967,000
Sale of Capital Assets	4,000	150,000	4,000	4,000	4,000
Totals	<u>\$2,954,000</u>	<u>\$3,087,000</u>	<u>\$2,944,000</u>	<u>\$2,827,000</u>	<u>\$2,827,000</u>

F. - Other Financing Sources

Solvency Assistance Advance – During fiscal years 2008 and 2009, the School District received Solvency Assistance Fund Advances in the amounts of \$10,380,000 and \$3,000,000, respectively, 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.

Manuscript Note Proceeds – During fiscal year 2009, the School District issued notes in the amount of \$5,290,000. The School District borrowed this amount from its bond retirement fund to avoid borrowing an additional amount from the State's solvency assistance fund. This amount will be paid back in four annual principal and interest installments with the final payment in fiscal year 2013.

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Transfers and Advances In - The School District anticipates the repayment of advances to other funds of \$876,000 during the forecast period. During fiscal year 2010, the general fund advanced cash to various grant funds in order to prevent the grant funds from ending the year with a deficit balance. The School District anticipates the return of advances for the remaining forecast period to be \$200,000 each year.

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, and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels for the last three fiscal years and the current fiscal year are displayed in the chart below. The positions shown are full time equivalents.

	2008	2009	2010	2011
General Fund:				
Certified	646	610	524	537
Classified	316	281	295	280
Total General Fund:	962	891	819	817
Other Funds:				
Certified	89	82	90	107
Classified	227	241	109	100
Total Other Funds:	316	323	199	207
Totals	1,278	1,214	1,018	1,024

Certified (teaching) staff salaries are based on a negotiated contract which includes step increases and educational incentives. The contract also offers an attendance bonus. The current contract covers the period July 1, 2010 through June 30, 2012, and allows for a one percent increase in the base salary in fiscal years 2011 and 2012. The forecast includes step increases that range from three to six percent. The forecast includes a base increase of one percent for the fiscal years 2013, 2014 and 2015. The attendance bonus is anticipated to remain as part of the contract through fiscal year 2015.

Classified salaries are based on a negotiated contract which includes a once a year longevity payment to employees with seven or more years of service and covers the period February 1, 2010 through January 31, 2012. The contract allows for a one percent increase in the base salary in fiscal years 2011 and 2012. The forecast includes longevity up to \$1,000 depending upon years of service. The forecast includes a base increase of one percent and longevity for the fiscal years 2013, 2014 and 2015.

In fiscal years 2013 through 2015, the School District has forecasted a one percent base increase each year and an average cost of step increases of 1.94 percent for the certified employees and a one percent annual base increase and longevity for the classified employees. These agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving the base increases for fiscal years 2013 through 2015 is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. Each additional one percent increase, would increase certified and

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classified salaries and benefits \$344,000 and \$110,000, respectively, in fiscal year 2013, \$354,000 and \$111,000, respectively, in fiscal year 2014 and \$364,000 and \$113,000, respectively, in fiscal year 2015 and decrease the fund balance each fiscal year by the same amount. The cumulative effect on fund balance in fiscal year 2015 is a decrease of \$1,396,000.

Staffing levels are forecasted to remain consistent throughout the forecast period. Actual increases or decreases will only occur after the Superintendent recommends and the Board of Education approves any staffing increases or decreases.

Substitute salaries for certified and classified employees are expected to decrease in fiscal year 2011 as a result of fewer substitutes needed. For the remaining forecasted period, substitute salaries will increase with an increase of one percent to the base salary. This decrease will be offset by an increase in professional development overtime that is paid from this object code. The School District will continue to monitor the amount of overtime worked during the school year in order to maintain lower costs.

Supplemental salaries are expected to decrease in fiscal year 2011 due to a decrease in supplemental positions as well as employees covering more than one supplemental position. For the remaining forecasted period, supplemental salaries will increase with an increase of one percent to the base supplemental salary.

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. Certified employees receive one fourth of their unused sick leave. Classified employees receive sixty percent of their unused sick leave not to exceed a total payment of 180 days. Administrators receive thirty seven and one half percent of their unused sick leave. During fiscal year 2010, the School District had twenty eight certified, twenty five classified and six administrative employees retire.

Severance costs are anticipated to decrease in fiscal year 2011 due to the elimination of the early retirement incentive. Severance pay is forecasted to increase during fiscal years 2012 and 2013 due to the change in the State Teachers Retirement System. Employees are forecasted to retire prior to the changes going into effect. Fiscal years 2014 and 2015 are expected to remain consistent with historical trends. The anticipated severance payments are included in the certified and classified salaries presented in the table below.

Presented below is a comparison of salaries and wages for fiscal years 2011 through 2015.

	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Certified Salaries	\$29,271,000	\$30,132,000	\$31,018,000	\$31,929,000	\$32,868,000
Classified Salaries	9,485,000	9,627,000	9,771,000	9,918,000	10,067,000
Substitute Salaries	2,448,000	2,473,000	2,498,000	2,523,000	2,548,000
Supplemental Salaries	254,000	257,000	259,000	262,000	264,000
Severance Pay	529,000	736,000	992,000	515,000	520,000
Other Salaries and Wages	40,000	40,000	40,000	40,000	40,000
Totals	\$42,027,000	\$43,265,000	\$44,578,000	\$45,187,000	\$46,307,000

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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. The School District pays the employee retirement contributions for the superintendent and treasurer. Retirement costs are forecasted to increase based on the changes in forecasted salaries over the next five fiscal years.

In the years past, SERS has been paid six months in arrears in Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. The Youngstown School District has chosen option two; therefore, the School District's retirement costs will include \$187,000 in each of the next six years. The total liability for the School District is \$1,122,000. Fiscal year 2011 reflects payments based upon the salary estimates. The remaining forecasted years, the retirement cost is based on the forecasted salaries.

Health care costs are based on a number of employees participating in the program and the type of coverage (single or family) provided to each employee. Monthly charges per person for single and family participation in the program are recommended by the third party administrator and approved by the Board of Education. The health care program includes medical, prescription drug, dental care and vision. Health care rates are fixed for a twelve month period from January through December. The monthly rates for single or family health care benefits are anticipated to remain the same over the forecasted period at \$1,382.54 for family members and \$559.30 for single members. All health care coverage is now through Anthem Blue Cross Blue Shield Medical. Health care costs are forecasted to increase due to an increase in family versus single coverage.

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program.

The School District uses the State Workers' Compensation retrospective rating (tier II) and payment system. Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured. 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 School District anticipates paying unemployment benefits of \$78,000 during fiscal year 2011, a decrease of \$110,000 from the prior year due to fewer employees being laid off. The School District is forecasting unemployment benefits to remain consistent throughout the forecast period due to the continued extensions provided by the Federal government.

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Certified employees are offered a tuition reimbursement. The maximum annual tuition that a teacher can receive is \$500 per school year. The School District annually establishes an account of \$50,000 for the purpose of tuition reimbursement. Historically the School District has only paid \$32,000 in tuition reimbursement. The tuition reimbursement is anticipated to remain consistent from fiscal year 2011 to fiscal year 2015.

Presented below is a comparison for the forecasted period.

	Forecast				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Employer's Retirement	\$6,417,000	\$6,357,000	\$6,509,000	\$6,664,000	\$6,823,000
Health Care/Life Insurance	10,896,000	11,005,000	11,115,000	11,226,000	11,339,000
Workers' Compensation	419,000	432,000	444,000	458,000	472,000
Medicare	419,000	432,000	445,000	458,000	472,000
Unemployment	78,000	78,000	78,000	78,000	78,000
Tuition Reimbursement	32,000	32,000	32,000	32,000	32,000
Total	\$18,261,000	\$18,336,000	\$18,623,000	\$18,916,000	\$19,216,000

C. - Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2011 through 2015:

	Forecast				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Professional and Technical Services	\$257,000	\$267,000	\$267,000	\$257,000	\$257,000
Property Services	1,159,000	1,173,000	1,187,000	1,201,000	1,215,000
Travel and Meeting Expenses	58,000	59,000	60,000	60,000	61,000
Communication Costs	743,000	329,000	339,000	349,000	360,000
Utility Services	2,225,000	2,247,000	2,270,000	2,292,000	2,315,000
Trade Services	2,000	2,000	2,000	2,000	2,000
Tuition and Other Similar Payments	32,652,000	31,259,000	31,803,000	32,361,000	32,931,000
Pupil Transportation	1,037,000	1,037,000	1,037,000	1,037,000	1,037,000
Totals	\$38,133,000	\$36,373,000	\$36,965,000	\$37,559,000	\$38,178,000

Property services will increase due to the School District continuing to make necessary repairs and upkeep of buildings along with a slight increase for inflation. Communication costs will decrease in fiscal year 2012 due to the completion of the high speed internet cable, wireless access and telephones being updated and installed in fiscal year 2011. The remaining forecast years are expected to have slight increases due to inflationary costs. Utility services are forecasted to increase due to increased usage and the anticipated increase in costs.

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Tuition payments include open enrollment and community school tuition. In fiscal year 2011 through 2015, the per pupil foundation amount is not expected to increase. The decrease in fiscal year 2012 is due to the elimination of the State Fiscal Stabilization fund portion of the community school payments. The increase in the tuition amounts during the remaining forecasted periods is due to the anticipated increase in students from the School District attending community schools and open enrollment. Pupil transportation is expected to remain consistent over the forecast period.

D. - Supplies and Materials

The following table is a comparison of the supplies and materials expenditures for fiscal years 2011 through 2015:

	Forecast				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
General Supplies, Library Books and Periodicals	\$777,000	\$800,000	\$825,000	\$1,432,000	\$856,000
Operations, Maintenance and Repair	627,000	644,000	661,000	679,000	698,000
Textbooks	316,000	630,000	335,000	688,000	345,000
Totals	\$1,720,000	\$2,074,000	\$1,821,000	\$2,799,000	\$1,899,000

Expenditures for supplies and materials are forecasted to increase due to inflation. Textbooks are expected to have larger expenditures in fiscal years 2012 and 2014 due to the necessity to restock and update outdated material.

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. Capital outlay expenditures consist of bus replacements for the forecast period. Capital outlay expenditures are anticipated to be higher throughout the forecast period due to the School District's plans to replace a fleet of aged buses.

F. - Debt Service

The outstanding balances and fiscal year 2011 principal payments for general fund supported debt consists of the following:

Type	Maturity Date	Balance at 6/30/2010	Fiscal Year	Fiscal Year	Fiscal Year
			2011 Principal Payment	2012 Principal Payment	2013 Principal Payment
Solvency Assistance Advance	June 30, 2011	\$1,500,000	\$1,500,000	\$0	\$0
Tax Anticipation Notes	December 1, 2012	3,967,000	1,322,000	1,323,000	1,322,000
Total		\$5,467,000	\$2,822,000	\$1,323,000	\$1,322,000

During fiscal year 2009, the School District received \$3,000,000 in a solvency assistance advance. The advance will be repaid in full with State foundation monies in fiscal year 2011.

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During fiscal year 2009, the School District issued \$5,290,000 in a tax anticipation notes (manuscript notes). The School District's bond retirement fund purchased the notes to avoid borrowing an additional amount from the State's solvency assistance fund. The tax anticipation notes will be repaid in four annual payments in the principal amount of \$1,322,500 during fiscal years 2010 through 2013. The tax anticipation notes issued and purchased by the School District are held until maturity as an investment vehicle whereby the School District pays interest to the debt service fund.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. The increase is due primarily to an increase in audit fees and insurance expenditures.

H. - Operating Advances/Transfers Out

The School District anticipates transfers out of \$40,000 each year of the forecast period to help cover operating costs in the athletic fund.

The School District is forecasting advances out each year of the forecast period in the amount of \$200,000 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.

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.

The School District closely monitors its encumbrances as it nears the fiscal year end. As a result, encumbrances are forecasted at \$200,000 for fiscal year 2011. This amount is expected to remain consistent for the remaining forecast period.

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 capital improvements and repairs. 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 set aside amount required is approximately \$955,000 each fiscal year. The School District anticipates \$1,089,000 in qualified expenditures in fiscal year 2011 and the qualified expenditures to increase during the remainder of the forecast period. Therefore, no reserve amount is anticipated for the forecast period.

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B. – Capital Acquisition and Improvements Set-Aside

The set aside amount is approximately \$955,000 each fiscal year. Annual offsets are anticipated from a permanent improvement and classroom facilities maintenance levies and general obligation bond proceeds. The School District anticipates \$153,000 in qualified expenditures in fiscal year 2011 and the qualified expenditures to increase during the remainder of the forecast period. Therefore, no reserve amount is anticipated for the forecast period.

C. – Bus Purchases

At June 30, 2010, the School District had \$621,000 in unspent bus monies. The School District does not anticipate receiving a bus purchase allowance during the forecast period. The School District anticipates purchasing new buses each year of the forecast period. The reserve will decrease for each of the fiscal years 2011 through 2015.

Note 10 - Levies

In the past ten years, 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
November 2008	Emergency	\$5,291,000	4 Years	Passed

Note 11 – 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. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. 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 and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of \$200,000 per person and \$13,234,013 for the School District as a whole. The rates charged to the contributing funds have remained the same since January 2008. The School District is forecasting the rates to remain consistent during the forecasted period due to the School District adjusting coverage and carriers to maintain the same rate. The School District anticipates the monthly charges to the various funds will cover the cost of claims and administrative charges and maintain a positive cash fund balance during the forecasted period. Based upon an actuarial opinion, the fund is forecasted to maintain a minimum of \$2,300,000 reserve balance.

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Note 12 – 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 13 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes.

During fiscal years 2010 and 2011, the School District received grants for Title II-D and Title I through the American Recovery and Reinvestment Act. The School District will not receive this funding in fiscal years 2012 through 2015. The School District does not anticipate having these expenditures in fiscal year 2012 through 2015.

The School District entered into a project agreement with the Ohio School Facilities Commission to renovate three schools, build nine schools and demolish sixteen schools. The Classroom Facilities Capital Projects fund accounts for the grant monies as well as the bond proceeds that were issued by the School District to pay for their proportionate share of the project. The fund is forecasted to decrease each year of the forecast period as the School District continues to renovate the buildings.

The School District uses the Food Service Fund to account for the charges for services and operating grants restricted to the food service operations of the School District. This fund is forecasted to be self-sufficient during the forecast period.

These remaining funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. There are certain funds that annually rely upon advances from the General Fund to meet their obligations. These advances are addressed in Note 7H.

Note 14 – Academic Emergency

The Youngstown Academic Distress Commission was established by the State Superintendent of Public Instruction in January 2010, pursuant to Section 3302.10 of the Ohio Revised Code. The statute requires the establishment of the Commission for each school district that has been declared in academic emergency pursuant to Section 3302.03 of the Ohio Revised Code and has failed to make adequate yearly progress for four or more consecutive years. In accordance with the law, a thirteen member Academic Distress Commission has been established to oversee the academic affairs of the School District. The Commission is comprised of the following members:

1. The chairpersons and ranking minority members of the house of representatives and senate standing committees primarily for education legislation, who shall be nonvoting members;
2. One representative of the governor's office, appointed by the governor;
3. The superintendent of public instruction, or designee;

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4. One representative of teacher employee organizations formed pursuant to Chapter 4117 of the Revised Code, appointed by the speaker of the house of representatives;
5. One representative of the school district's board of education, appointed by the president of the senate;
6. One school district superintendent, appointed by the speaker of the house of representatives;
7. One representative of business, appointed by the president of the senate;
8. One representative of a non-profit organization led by the Ohio business community, appointed by the governor;
9. One school building principal, appointed by the president of the senate; and,
10. A member of the State board of education, appointed by the speaker of the house of representatives.

The Academic Distress Commission's primary charge is to develop, adopt, and implement an academic recovery plan. The Academic Distress Commission adopted an initial academic recovery plan on June 28, 2010 and a revised plan on July 21, 2010. The plan addresses academic problems at both the district and school levels and includes:

1. Short-term and long-term actions to be taken to improve the district's academic performance;
2. The sequence and timing of the actions and the persons responsible for implementing the actions;
3. Resources that will be applied toward improvement efforts;
4. Procedures for monitoring and evaluating improvement efforts; and,
5. Requirements for reporting to the commission and the district board of education on the status of improvement efforts.

The School District is utilizing grant funding to cover the majority of the costs associated with the academic recovery plan proposals. Any costs to the General Fund have been included in the forecast.

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Dave Yost • Auditor of State

YOUNGSTOWN CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2011