



Mary Taylor, CPA
Auditor of State

**East Liverpool City School District
Columbiana County, Ohio**

Fiscal Emergency Termination

Local Government Services Section

**East Liverpool City School District
Columbiana County**

Fiscal Emergency Termination

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CERTIFICATION

Pursuant to a request sent to the Auditor of State by the East Liverpool City School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the East Liverpool 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 East Liverpool 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 is in the process of being implemented and it is reasonably expected that this implementation will be completed within two years, and 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 East Liverpool City School District Financial Planning and Supervision Commission and its role in the operation of the East Liverpool City School District is terminated as of March 24, 2009.

Accordingly, this report is hereby submitted to the East Liverpool City School District Board of Education, the Financial Planning and Supervision Commission, Ted Strickland, Governor, J. Pari Sabety, Director of the Office of Budget and Management, James P. Swoger, Mayor of the City of East Liverpool, and Deborah S. Delisle, State Superintendent of Public Instruction.

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

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

March 24, 2009

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

At the request of the Financial Planning and Supervision Commission of the East Liverpool City School District (the Commission), Columbiana 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

On March 15, 2003, the Department of Education declared the East Liverpool City School District to be in a state of Fiscal Caution based on an anticipated deficit for fiscal years 2003 and 2004. The Department of Education notified the Auditor of State that the East Liverpool City School District failed to submit an acceptable written proposal required by Section 3316.031(C) for correcting the conditions that prompted the declaration of Fiscal Caution. As a result, the Auditor of State declared the East Liverpool City School District to be in Fiscal Watch on September 29, 2003.

The Auditor of State declared the East Liverpool City School District in Fiscal Emergency on December 18, 2003 based on a forecasted operating deficit in the general fund for the year ending June 30, 2004 in the amount of \$2,606,000, or 12.2 percent of the general fund revenues for the prior fiscal year, and that the voting electors of the School District had not passed a levy that would have eliminated the deficit. The state of Fiscal Emergency was declared under Section 3316.03(B)(2) of the Ohio Revised Code and a Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

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. The fiscal emergency condition has 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".

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 East Liverpool City School District (the School District) and issued a Report on Accounting Methods, dated September 1, 2004. The report identified areas where the

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School District's financial accounting and reporting system were 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 these 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:

- Expenditures plus encumbrances are not to exceed appropriations; however, management allows this to occur at the legal level of control and in the various accounts that receive allocations by the Treasurer. The allocation of Board approved appropriations is at the discretion of the Treasurer. There is no Board policy identifying, establishing, or requiring the establishment of controls over this process.

Implemented:

The Board has established the legal level of control at the fund, function and object level. The Board has also adopted a policy indicating that modification of Board approved appropriations at the legal level of control require Board approval. The Treasurer periodically reviews expenditures plus encumbrances and appropriations to determine whether any appropriation amendments are necessary. When modifications of appropriations are needed, the Treasurer prepares a schedule of appropriation modifications for Board approval.

Auditor of State Comment from Report on Accounting Methods:

- Appropriations should not exceed estimated resources. The temporary appropriations submitted to the county for fiscal year 2004 had thirteen funds that exceeded the certified estimated resources.

Implemented:

Prior to Board approval, the Treasurer prepares a spreadsheet which compares appropriations to estimated resources and presents it to the Board to demonstrate that the anticipated appropriations do not exceed estimated resources.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should submit supplemental appropriation measures to the County Budget Commission in a timely manner to allow the County Auditor who is the secretary to the budget commission to certify that appropriations are within estimated resources.

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Implemented:

After Board approval, supplemental appropriations resolutions are submitted to the County Budget Commission. The School District also consistently receives a Certificate from the County Auditor which certifies that the total appropriations from each fund do not exceed the amended certificate of estimated resources.

Auditor of State Comment from Report on Accounting Methods:

- By statute, appropriations are limited to the estimated resources in the existing amended official certificate of estimated resources. If new or additional revenue is anticipated and the Board desires to spend it, an amended certificate is to be received before the supplemental appropriations are passed.

Implemented:

The School District is now requesting and receiving a revised amended certificate which reflects changes to estimated revenues prior to requesting Board approval of supplemental appropriations.

Auditor of State Comment from Report on Accounting Methods:

- Documents received from the county budget commission do not always agree with information submitted by the School District. The documents received from the county budget commission should be reviewed upon receipt and corrections requested if needed.

Implemented:

The Treasurer, upon receipt of the signed documents from the county budget commission, compares the amounts on the documents to what was submitted to ensure that the information is correct.

Auditor of State Comment from Report on Accounting Methods:

- Budgeted revenues and appropriations in the accounting system do not agree with the most current supporting documents. Amendments should be posted to the accounting system after approval by the Board for appropriations and the budget commission for estimated receipts.

Implemented:

After appropriations or supplemental appropriations are approved by the Board of Education and a certificate that the appropriations do not exceed estimated revenues is received from the county budget commission, the appropriations are entered into the accounting system by the Treasurer or the Assistant Treasurer.

Auditor of State Comment from Report on Accounting Methods:

- The School District should update its Policy Manual regarding its budgetary process. The Policy Manual should include policies to properly reflect all aspects of the budgetary process including the level at which the Board is to adopt appropriations, the allocations of appropriated amounts by the treasurer, the monitoring of budget and actual amounts, and the frequency that monitoring should occur. In addition, the manual needs to be updated to address the five-year forecast requirements,

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addressing the dates that the forecast is to be submitted to the Ohio Department of Education. The budgetary policies have not been updated since July 1991.

In Process of Implementation:

On June 1, 2004, the East Liverpool City School District Board adopted a revised manual to include changes regarding its budgetary process. The policy set the legal level of control for the School District at the fund, function, object level. It also addressed the five-year forecast requirement and the filing dates of October 30 and May 30. The School District still needs to address the monitoring of budget and actual amounts and the frequency that the monitoring should occur.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The School District's revenue policy has not been updated since February 1995. The manual should be updated to include safeguarding of receipts, timely deposits, and the segregation of duties. In addition, the procedures used in the collection and recording of receipts should be documented and on file in the treasurer's office.

Implemented:

On June 1, 2004, the Board adopted a revised policy manual to include changes regarding revenue activity. The policy indicates that all monies receipted should be accounted for and deposited every 24 hours when possible. In the event this is not possible, the money will be deposited in the School District's safe. The money will not be held longer than three business days after receipt and must be under a deposit amount of \$1,000. For amounts over the \$1,000, it must be deposited by the business day following receipt. The Treasurer is responsible for making bank deposits after regular banking hours. The Treasurer's secretary makes the regular deposits. Procedures used in the collection and recording of receipts are documented and retained on file in the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods:

- The posting of receipts should be reviewed periodically during the month at an appropriate level of management rather than at the time bank accounts are reconciled by the administrative assistant.

Implemented:

The Treasurer reviews all receipts in relation to the remittance information, approves and signs the posting of all receipts except food service and student/district activity receipts throughout the month. The Treasurer reviews and approves the food service and student/district activity receipts at month end.

Auditor of State Comment from Report on Accounting Methods:

- Property tax receipts should be posted at gross and memo expenditures should be posted for the various deductions as identified on the apportionment sheets.

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Implemented:

Property tax receipts are posted at the gross receipt amount with memo expenditures recorded for the various deductions as identified on the apportionment sheets.

Auditor of State Comment from Report on Accounting Methods:

- The student activity advisors are to record cash receipts remitted to the School District in Section II of the sales project approval and potential form. This procedure is being completed by the high school Clerk/Cashier. Student activity advisors should make sure that Section II is kept up to date and at the end of the fund raising project, the form should be signed by the building principal and the treasurer. The high school Clerk/Cashier should not be completing this form for the advisors.

Implemented:

The student activities advisors are now responsible for the preparation and completion of sales project approval and potential forms. The Treasurer's office, upon completion of the fund raising projects, compares the deposits on the form to financial records and checks for the appropriate signatures.

Auditor of State Comment from Report on Accounting Methods:

- The billing and collection of tuition should be reviewed on a regular basis to ensure that all tuition is invoiced and paid in a timely manner.

Implemented:

The Treasurer compares the tuition receipts to the tuition invoices that are compiled each semester and maintained in a separate file to ensure all tuition is collected.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District is in the process of updating the Board policies for purchasing and competitive bidding. School District management should consider whether the purchasing functions should be centralized or remain a function of the various buildings and incorporate appropriate policies in the manual.

Implemented:

Purchasing policies were updated and adopted by the Board on June 1, 2004. Procedures have been implemented to ensure that the best possible price for the desired products and services is obtained and that all purchases are made on properly approved purchase orders. Contracts for construction or demolition of buildings or for any improvements or repairs which exceed \$25,000 are let only after bids are solicited and received, with the exception of shared contracts for energy conservation measures. If feasible, all purchases exceeding \$10,000 but less than \$25,000, are based upon price quotations submitted by at least three vendors. The Superintendent now has the final authority to authorize all purchases under the bid limit within the School District. The School District has not authorized to allow for centralizing purchasing.

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Auditor of State Comment from Report on Accounting Methods:

- The purchase orders which include the fiscal officer's certification should clearly reflect the appropriate language for a blanket and super blanket certification and a then and now certification.

Implemented:

The appropriate certification language appears on the purchase order for blanket purchase orders. The School District does not issue super blanket purchase orders. The "Then and Now" certification is stamped on the invoice and is signed and dated by the Treasurer.

Auditor of State Comment from Report on Accounting Methods:

- The School District should have "412" certificates signed by the treasurer, superintendent and board president for all negotiated agreements, salary schedule and construction contracts. The "412" certificates should be signed at the time the contract is approved by the Board or no later than the time the contract is signed.

Not Implemented:

The School District has been leaving this responsibility up to the Financial Planning and Supervision Commission; however, responsibility still rests with the School District.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should review the Daily Check Log to ensure that the use of all checks, including voided checks, is recorded properly. The supply of blank checks should be properly safeguarded.

Implemented:

The Treasurer reviews the daily check log when checks are printed to ensure there are no missing checks. The blank checks are stored in a locked filing cabinet in the back of the Treasurer's office with the staff of the Treasurer's office having access to the checks.

Auditor of State Comment from Report on Accounting Methods:

- The School District allows various funds to carry a deficit cash balance. Disbursements should not be recorded in a fund with an insufficient cash balance. If the timing of receipts is an issue, the Treasurer should request, by resolution, Board approval of an advance from the general fund. The resolution should state how and when the advance will be repaid.

Implemented:

The School District no longer allows funds to carry a deficit cash balance. By resolution, the Board approves advances from the general fund to cover grant fund cash deficits generated through the timing of grant receipts.

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Auditor of State Comment from Report on Accounting Methods:

- The School District's policy manual should be updated to include the timely payment of obligations, the approval process, and the segregation of duties where possible. In addition, the procedures used in the review and processing of invoices for payment should be documented.

Implemented:

On June 1, 2004, the Board, by resolution, adopted a revised policy for the timely approval and payment of invoices. The policy calls for the segregation of duties; however, this is done when there is sufficient personnel to carry out the policy. Procedures for the processing of invoices for payment have been documented and are kept on file in the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods:

- A "Then and Now" certificate should be completed for invoices exceeding the original purchase order amount and for those purchases without prior fiscal officer certification. A policy should be established by the Board addressing the main dollar amounts for which a certificate must be obtained prior to payment.

Not Implemented:

There has not been a Board approved policy to account for the dollar amounts for which a "Then and Now" certification must be obtained.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods:

The supply of blank payroll checks should be properly safeguarded.

Implemented:

Blank payroll checks are now stored in a locked filing cabinet in the back of the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods:

- The School District should ensure that absence sheets are prepared by employees, approved by the proper supervisor, and sent to the Treasurer's office by the principal or department heads in a timely manner.

Implemented:

Absence sheets requesting time off are now prepared by the employee, approved by the principal or supervisor and Superintendent and sent to the Treasurer's office once the needed signatures are gathered. If the time off is due to illness and there is no advance notice, the employee fills out the absence sheet on the first day back to work. For all other leave, the absence sheets are completed prior to taking leave.

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Auditor of State Comment from Report on Accounting Methods:

- Personnel files for substitute teachers should be kept in the Superintendent's office rather than in the receptionist's office of the administrative building to ensure the safekeeping of all employee records.

Implemented:

Personal files for substitute teachers are now secured in the Superintendent's office.

Auditor of State Comment from Report on Accounting Methods:

- The School District should ensure that each employee signs his/her own time sheet.

Implemented:

Time sheets are now being signed by both the employee and the supervisor.

Auditor of State Comment from Report on Accounting Methods:

- The procedures used to process payroll should be documented. The procedures should address the segregation of duties of staff involving the payroll process.

Not Implemented:

The School District has not addressed this comment.

Auditor of State Comment from Report on Accounting Methods:

- The only employee in the School District that can process payroll is the Assistant Treasurer. The School District should have another employee trained to perform the payroll process.

Not Implemented:

Due to more pressing demands on time and employee resources, the School District has yet to train another employee to perform the payroll process.

Debt Administration

Auditor of State Comment from Report on Accounting Methods:

- All debt agreements and amortization schedules should be kept current.

Implemented:

The Treasurer now has debt agreements and amortization schedules in his office for all outstanding debt issues.

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Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The School District should utilize standard forms for capital asset purchases, transfers and deletions.

Implemented:

The School District now utilizes standard forms for capital asset purchases, transfers and deletions.

Auditor of State Comment from Report on Accounting Methods:

- The School District should have written procedures to insure that all capital asset additions are tagged and fully entered into the tracking system.

Implemented:

Capital assets are delivered to the Treasurer's office and identified and tagged before delivery to the school buildings. Large purchases such as desks or computers are delivered to their respective final destinations and then identified and tagged. The asset and tag number is then sent to the Treasurer's office for inclusion on the capital asset tracking list by the custodial staff that places the asset.

Auditor of State Comment from Report on Accounting Methods:

- The School District should use one person to purchase consumable supplies and store the items in a central location for distribution to the various school buildings as needed.

Implemented:

The Supervisor of Buildings and Grounds purchases consumable supplies which are stored in the elementary and administrative buildings. Custodians fill out a custodial requisition and then either pick up the items or have them delivered to the appropriate buildings.

Auditor of State Comment from Report on Accounting Methods:

- The School District should update the capital asset list at least annually to include current year additions and deletions so that the list supports the amounts reported in the financial statements. Disposals, auctions, sales or trade-ins should have Board approval.

Implemented:

The School District updates the capital asset listing when changes have been made and obtains Board approval for disposals, auctions, sales or trade-ins. All changes are submitted to Industrial Appraisal annually during the months of August and September. The updated listing is returned to the School District in time to support the amounts included in the annual financial statements.

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Auditor of State Comment from Report on Accounting Methods:

- The School District should use the USAS capital asset system to track capital assets.

Implemented:

The School District has chosen to contract with the Industrial Appraisal Company to track its capital assets.

Auditor of State Comment from Report on Accounting Methods:

- The School District should revise its policies for School owned equipment to include a definition of a capital asset, the capitalization threshold, the value assigned to donated assets, salvage values, private property (items belonging to staff and students), disposal of assets, and how accountability should be maintained. The policy should be approved, signed and dated by the Board.

In Process of Implementation:

On June 1, 2004, the School District adopted by Board resolution a revised Inventories (Fixed Assets) policy. This policy addresses the definition of a capital asset and set the threshold at \$1,000. The School District still needs to address the value assigned to donated assets, salvage values, private property, disposal of assets and how accountability should be maintained.

Auditor of State Comment from Report on Accounting Methods:

- The School District's consumable inventory policy should address a year end physical inventory of consumable supplies. The policy should include an annual assessment of significant supplies to be counted and a standard form for counting fiscal year inventory.

Not Implemented:

The School District has not implemented a policy that addresses consumable inventory.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should review and sign off on bank reconciliations.

Implemented:

The Treasurer now reviews, signs and dates all monthly bank reconciliations.

Auditor of State Comment from Report on Accounting Methods:

- The National City Bank account for the Athletic department not in use should be closed.

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Not Implementation:

The School District utilizes two checking accounts for the Athletic Department. One of the checking accounts is a petty cash account which is used for small equipment purchases and payments to referees. All checks drawn on the account are signed by both the Treasurer and the Athletic Director. The other checking account is used solely for depositing gate receipts. There is no other activity in this account; therefore, this checking account should be closed and the money should be transferred to the primary checking account.

Auditor of State Comment from Report on Accounting Methods:

- The policy manual should be updated to address interest.

Implemented:

The School District follows State statute in allocating interest thereby eliminating the need for an interest allocation policy.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- The School District should provide monthly bank reconciliations to the Board and the Financial Planning and Supervision Commission which reconcile to fund balances and include details of all adjustments.

Implemented:

The Board of Education and the Financial Planning and Supervision Commission, as part of the monthly financial report package, are provided monthly bank reconciliations which reconcile to fund balances.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should provide to the Board and the Financial Planning and Supervision Commission a summary that highlights the monthly budget and actual data, any anticipated amendments to estimated revenues and appropriations, anticipated cash advances to avoid deficit cash fund balances, and any other events that affect revenues or expenditures of the School District.

Implemented:

As part of the monthly financial report to the Board of Education and the Financial Planning and Supervision Commission, summaries of monthly fiscal year to date revenue and expenditure projections and actual results are presented. Amendments to estimated revenues, amendments to appropriations (resulting from reallocations of appropriations or from increases/decreases), fund transfers, fund advances and fund advance returns are also presented for approval.

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Auditor of State Comment from Report on Accounting Methods:

- The duties and responsibilities of the Treasurer in the Policies Manual should be updated to include the filing of GAAP basis financial statements within 150 days after fiscal year end.

Not Implemented:

The School District has not updated the duties and responsibilities of the Treasurer in the policy manual to include the filing of GAAP basis financial statements within 150 days after fiscal year end.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods:

- Minutes of all regular and special meetings should always be read, approved and signed, unless corrections are needed, at the next regular meeting of the Board. The minutes should be completed and signed immediately by the Treasurer and the Board President following the meeting at which they are approved. The Board minutes are not approved at each meeting nor are they signed when approved.

Implemented:

Minutes of regular and special meetings are being presented to the Board of Education for approval at the succeeding month's second of two regular Board meetings. Once minutes are approved at that meeting, they are signed by the Board President and Treasurer and placed in the Board Minute Book.

Auditor of State Comment from Report on Accounting Methods:

- Minutes are still being revised late into the year even though they have been approved by the Board.

Implemented:

The School District no longer revises minutes once approved by the Board of Education.

Auditor of State Comment from Report on Accounting Methods:

- The minutes should be bound with sequentially numbered pages. The Board minutes are missing pages.

Implemented:

Minutes are bound in the Board Minute Book using sequentially numbered pages.

Auditor of State Comment from Report on Accounting Methods:

- Attachments to minutes are not kept.

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Implemented:

Attachments to the minutes are either incorporated into the Board Minute Book if deemed appropriate or if requested by the Board. Attachments are otherwise filed with cross-reference to Board meeting date.

Auditor of State Comment from Report on Accounting Methods:

- Several versions of the minutes from the same meeting are found with no indication of a revision.

Implemented:

The Board Minute Book contains only the official approved minutes of each meeting.

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 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, 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 deficit in the succeeding fiscal year.
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; or,
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 deficit 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.

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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.
5. The School District no longer has an operating deficit in the general fund.

Section 3 - Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District, dated July 29, 2008. 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:

1. Staff from the Ohio Department of Education, in conjunction with the School District Administrative staff, is to prepare a School District staffing analysis.
2. The School District will request a solvency assistance advance.
3. The Board and the Commission will consider the Auditor of State recommendations included in the updated Performance Audit.
4. The School District will make personnel reductions.
5. The School District will consider levy options.

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

1. Requested solvency assistance fund advances in the amounts of \$2,606,000 and \$201,000 for fiscal years 2004 and 2005, respectively.
2. Reduced 3.5 administrative positions, 7 certified positions and 1 classified position coupled with their respective fringe benefits and reduced legal services in fiscal year 2004.
3. Reduced 8.5 administrative positions, 13 full-time equivalent classified positions and 22 full-time equivalent certified positions across all funds in fiscal year 2005.

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4. Obtained voter approval of a \$1,058,000 renewal emergency operating levy in November 2005 for a period of five years.
5. Reduced 21 certified positions coupled with their respective fringe benefits in fiscal year 2008.
6. Reduced 6 certified positions coupled with their respective fringe benefits in fiscal year 2009. These reductions were based on a provision in the new collective bargaining agreement which allows the School District to adjust teacher levels according to student population counts.

Section 4 - Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2009 through June 30, 2013, 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 forecasted period through fiscal year 2013. The Auditor of State, in a report dated January 28, 2009, 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 is in the process of implementing an effective accounting and reporting system. The Auditor of State will monitor progress to insure full implementation within a two year period.
2. The School District has corrected or eliminated all the fiscal emergency conditions and no new conditions have occurred.
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".

It is understood that this report has been prepared to determine whether the roll of the commission should be terminated and is for the use of the East Liverpool City School District Board of Education, the Financial Planning and Supervision Commission, Ted Strickland, Governor, J. Pari Sabety, Director of the Office of Budget and Management, James P. Swoger, Mayor of the City of East Liverpool, and Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

East Liverpool City School District - Columbiana County

**Report on Termination of the East Liverpool 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.

APPENDIX A

East Liverpool City School District
Columbiana County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2009 through June 30, 2013

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East Liverpool City School District – Columbiana County

Fiscal Emergency Termination

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Mary Taylor, CPA

Auditor of State

Board of Education
East Liverpool City School District
500 Maryland Avenue
East Liverpool, Ohio 43920

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 East Liverpool City School District for the fiscal years ending June 30, 2009 through 2013. The East Liverpool 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 statement of revenues, expenditures and changes in fund balance of the general fund of the East Liverpool City School District for the fiscal years ended June 30, 2006, 2007 and 2008 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

January 28, 2009

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East Liverpool City School District

Columbiana County

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2006 Through 2008 Actual;

For the Fiscal Years Ending June 30, 2009 Through 2013 Forecasted

General Fund

	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Forecasted
Revenues				
General Property Tax	\$3,690,000	\$3,726,000	\$3,896,000	\$3,533,000
Tangible Personal Property Tax	385,000	448,000	263,000	142,000
Unrestricted Grants-in-Aid	16,188,000	16,204,000	16,157,000	16,157,000
Restricted Grants-in-Aid	1,530,000	1,569,000	1,604,000	1,687,000
Property Tax Allocation	661,000	716,000	892,000	884,000
All Other Revenues	1,040,000	1,026,000	859,000	872,000
<i>Total Revenues</i>	<u>23,494,000</u>	<u>23,689,000</u>	<u>23,671,000</u>	<u>23,275,000</u>
Other Financing Sources				
Tax Anticipation Note	1,600,000	750,000	0	0
Transfers In	2,000	3,000	40,000	4,000
Advances In	751,000	231,000	407,000	423,000
<i>Total Other Financing Sources</i>	<u>2,353,000</u>	<u>984,000</u>	<u>447,000</u>	<u>427,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>25,847,000</u>	<u>24,673,000</u>	<u>24,118,000</u>	<u>23,702,000</u>
Expenditures				
Personal Services	11,992,000	11,659,000	10,859,000	10,571,000
Employees' Retirement/Insurance Benefits	5,302,000	5,092,000	4,975,000	5,101,000
Purchased Services	3,582,000	4,393,000	4,632,000	4,799,000
Supplies and Materials	499,000	390,000	530,000	808,000
Capital Outlay	59,000	207,000	310,000	261,000
Debt Service:				
Principal-Tax Anticipation Note	1,600,000	750,000	0	0
Principal-Solvency Assistance Advance	1,404,000	101,000	0	0
Principal-HB 264 Loan	96,000	100,000	26,000	0
Interest	58,000	35,000	0	0
Other Objects	272,000	242,000	310,000	339,000
<i>Total Expenditures</i>	<u>24,864,000</u>	<u>22,969,000</u>	<u>21,642,000</u>	<u>21,879,000</u>
Other Financing Uses				
Transfers Out	160,000	16,000	130,000	85,000
Advances Out	572,000	283,000	413,000	423,000
<i>Total Other Financing Uses</i>	<u>732,000</u>	<u>299,000</u>	<u>543,000</u>	<u>508,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>25,596,000</u>	<u>23,268,000</u>	<u>22,185,000</u>	<u>22,387,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	251,000	1,405,000	1,933,000	1,315,000
Cash Balance July 1	102,000	353,000	1,758,000	3,691,000
Cash Balance June 30	353,000	1,758,000	3,691,000	5,006,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	332,000	449,000	581,000	581,000
Reserves for:				
Textbooks and Instructional Materials	322,000	48,000	175,000	38,000
Bus Purchases	73,000	39,000	50,000	50,000
Poverty Based Assistance	95,000	209,000	492,000	223,000
Total Encumbrances and Reserves of Fund Balance	<u>822,000</u>	<u>745,000</u>	<u>1,298,000</u>	<u>892,000</u>
Unencumbered/Unreserved Fund Balance June 30	(469,000)	1,013,000	2,393,000	4,114,000
Revenue from Renewal Levies				
Property Tax - Renewal	0	0	0	0
Cumulative Balance of Renewal Levies	0	0	0	0
Unencumbered/Unreserved Fund Balance (Deficit) June 30 with Renewal Levies	<u>(\$469,000)</u>	<u>\$1,013,000</u>	<u>\$2,393,000</u>	<u>\$4,114,000</u>

See accompanying summary of significant forecast assumptions and accounting policies

See accountant's report

<u>Fiscal Year</u> <u>2010 Forecasted</u>	<u>Fiscal Year</u> <u>2011 Forecasted</u>	<u>Fiscal Year</u> <u>2012 Forecasted</u>	<u>Fiscal Year</u> <u>2013 Forecasted</u>
\$3,585,000	\$3,190,000	\$2,915,000	\$2,969,000
11,000	6,000	0	0
16,157,000	16,157,000	16,157,000	16,157,000
1,688,000	1,688,000	1,688,000	1,688,000
985,000	933,000	811,000	745,000
852,000	842,000	832,000	823,000
<u>23,278,000</u>	<u>22,816,000</u>	<u>22,403,000</u>	<u>22,382,000</u>
0	0	0	0
4,000	4,000	4,000	4,000
423,000	100,000	100,000	100,000
<u>427,000</u>	<u>104,000</u>	<u>104,000</u>	<u>104,000</u>
<u>23,705,000</u>	<u>22,920,000</u>	<u>22,507,000</u>	<u>22,486,000</u>
10,734,000	11,011,000	11,275,000	11,546,000
5,448,000	5,856,000	6,307,000	6,799,000
4,885,000	5,196,000	5,431,000	6,183,000
664,000	535,000	542,000	549,000
281,000	241,000	241,000	241,000
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
294,000	294,000	298,000	301,000
<u>22,306,000</u>	<u>23,133,000</u>	<u>24,094,000</u>	<u>25,619,000</u>
85,000	85,000	85,000	85,000
100,000	100,000	100,000	100,000
<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>
<u>22,491,000</u>	<u>23,318,000</u>	<u>24,279,000</u>	<u>25,804,000</u>
1,214,000	(398,000)	(1,772,000)	(3,318,000)
<u>5,006,000</u>	<u>6,220,000</u>	<u>5,822,000</u>	<u>4,050,000</u>
<u>6,220,000</u>	<u>5,822,000</u>	<u>4,050,000</u>	<u>732,000</u>
581,000	581,000	581,000	581,000
28,000	97,000	145,000	175,000
0	0	0	0
223,000	223,000	223,000	223,000
<u>832,000</u>	<u>901,000</u>	<u>949,000</u>	<u>979,000</u>
<u>5,388,000</u>	<u>4,921,000</u>	<u>3,101,000</u>	<u>(247,000)</u>
0	529,000	1,058,000	1,058,000
<u>0</u>	<u>529,000</u>	<u>1,587,000</u>	<u>2,645,000</u>
<u>\$5,388,000</u>	<u>\$5,450,000</u>	<u>\$4,688,000</u>	<u>\$2,398,000</u>

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 1 – The School District

The East Liverpool City School District (School District) is located in Columbiana County and encompasses all of the City of East Liverpool, all of Liverpool Township and a portion of Saint Clair Township. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates five instructional buildings, an administrative building and a bus garage. The School District is staffed by 110 non-certified, 172 certificated and 13 administrative personnel to provide services to 2,524 students.

On December 18, 2003, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Mayor of the City of East Liverpool. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must in accordance with the plan. Based on this report, the operation of the Commission will be terminated.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the East Liverpool 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 January 28, 2009, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

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

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

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

B. - Fund Accounting

The School District maintains its accounting 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 the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to disbursements for specified purposes.

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

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

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

Proprietary Funds

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

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

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 Columbiana 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 East Liverpool City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program. The forecast is based on the Board's most likely course of action and does not include any changes that may be necessary to meet the proposed Ohio Evidence Based Education Model introduced in the Ohio General Assembly.

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in businesses which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Columbiana 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 2008 (the collection year) for real and public utility property taxes represents collections of 2007 taxes (the tax year). Property tax payments received during calendar year 2008 for tangible personal property (other than public utility property) are for calendar year 2008 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

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

The forecast excludes the receipt of any advances in June against the next fiscal year's 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 request any such advances for fiscal years 2009 through 2013.

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

<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	1976	n/a	16.40
Continuing Operating	1996	1996	n/a	7.00
Emergency (\$1,058,000)	2005	2006	2010	6.50
Total Tax Rate				<u>\$34.10</u>

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

The School District also has levies for bonded debt and school facilities maintenance totaling \$2.30 per \$1,000 of assessed valuation. The School District's total property tax rate is \$36.40 per \$1,000 of valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is \$20.00 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$23.91 per \$1,000 of assessed valuation for collection year 2009. Because the School District's general fund effective millage is at the 20 mill floor, the general fund property tax revenues from residential and agricultural real estate will increase as real property valuations increase due to the reappraisal of real property.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue and are based upon anticipated increases in assessed valuations and existing tax levies. The anticipated assessed valuations take into account increases from reappraisals and updates that will occur during fiscal year 2010 (reappraisal) and in fiscal year 2013 (update).

According to the Columbiana County Auditor, the East Liverpool City School District has the lowest collections on general property taxes in the County at 91 percent. This trend is anticipated to continue throughout the forecast period. In fiscal year 2009, property taxes are anticipated to decrease \$363,000 from the prior fiscal year due to anticipated delinquencies. In tax years 2009 and 2012, the Columbiana County Auditor will perform a sexennial reappraisal and a triennial revaluation, respectively, which should increase assessed valuations based on historical information and real property tax receipts in collection years 2010 and 2013. The School District anticipates less than a one percent increase in general property taxes each year of the forecast period because of new construction; however, this revenue is offset by the expiring emergency levy in fiscal years 2011 and 2012.

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

The School District is anticipating renewing the current operating levy for the collection year 2010 to prevent a drop in collections. The School District has not historically collected the entire \$1,058,000 from the emergency levy due to delinquencies, as stated above.

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 23 percent assessment rate on business inventory, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 phased out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter is not subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period, which began in calendar year 2004, will lose approximately \$590,000 annually, when the tangible personal property tax is completely phased out in 2010. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below). 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

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

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, adjusted for a regional cost of doing business factor set by the State legislature, less the equivalent of 23 mills times the school district's taxable property valuation. In prior years, the per pupil foundation amount was increased by a regional cost of doing business factor. The regional cost of doing business factor was phased out by one-third each year beginning in 2006. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2005. The per pupil amount for fiscal years 2008 and 2009 was increased by three percent. The School District anticipates the per pupil amount to remain consistent each fiscal year after fiscal year 2009 because of proposed changes in State funding addressed below. Beginning in fiscal year 2008, the per pupil amount is increased by four base-supplements called "building blocks." The building blocks are funding for intervention, professional development, data base decision making and professional development for database decision.

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

The per pupil amount for fiscal years 2006 to 2009 is as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2006	\$5,283	\$0	\$5,283
2007	5,403	0	\$5,403
2008	5,565	49	\$5,614
2009	5,732	51	\$5,783

The anticipated unrestricted grants-in-aid for fiscal year 2009 are based on current estimates available from the Ohio Department of Education. The most recent estimates for fiscal year 2009 are as follows:

	Forecasted Fiscal Year 2009
Formula Aid	\$10,833,000
Categorical Funding	1,690,000
Transportation	640,000
Excess Cost	109,000
Parity Aid	2,096,000
Transitional Aid Guarantee	789,000
Totals	<u>\$16,157,000</u>

For fiscal year 2009, formula aid is expected to increase slightly over the previous fiscal year due to an increasing per pupil funding amount. Categorical funding increased due to increases in special education and weighted aid and gifted aid categories.

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance. For fiscal year 2009, the School District anticipates \$20,000 in bus purchase allowance, \$270,000 in career tech monies and \$1,397,000 in Poverty Based Assistance monies.

The State Foundation formula and the per pupil amount are subject to change every two years as the Governor and the General Assembly prepare the biennial budget for the State. The biennial budget introduced in the General Assembly for fiscal years 2010 and 2011 includes significant changes in the methodology for funding schools. Initial estimates indicate the School District may receive an increase in State funding. The proposed budget includes a guarantee that school districts will receive 100 percent of the funding received in the prior fiscal year in fiscal year 2010 and 98 percent in fiscal year 2011 and establishes limits on the amount of increases that can be received under the new funding method each fiscal year. Several components of the funding method may be phased in over a four year period. The biennial budget is subject to change as it is discussed in the General Assembly prior to approval. Based on this information, unrestricted and restricted grants-in-aid are assumed to be the same amount for fiscal years 2010 through 2013 as in fiscal year 2009. The biennial budget is generally adopted in June prior to the start of the new fiscal year beginning July 1.

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

C. - 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 homeowners where the first \$25,000 in true value of the property is not taxed. 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 is expected to continue to increase for fiscal years 2009 and 2010. This revenue is anticipated to decrease beginning in fiscal year 2011 due to the expiration of a five year emergency levy.

The State used to exempt the first \$10,000 in general business personal property from taxation and reimburse the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as Utility Deregulation payments. For fiscal years 2010 through 2013, the School District does not anticipate any public utility reimbursements based on information provided by the Ohio Department of Taxation.

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 is fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, beginning in fiscal year 2012, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the School District anticipates receiving a steadily increasing reimbursement for the tangible personal property losses until 2011 when the amount begins to decline due to a phase out of the tangible personal property loss reimbursement.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Homestead and Rollback	\$426,000	\$438,000	\$388,000	\$345,000	\$355,000
Tangible Personal Property Exempt	16,000	0	0	0	0
Utility Deregulation	106,000	106,000	106,000	106,000	106,000
Tangible Personal Property Loss Reimbursements	336,000	441,000	439,000	360,000	284,000
Totals	<u>\$884,000</u>	<u>\$985,000</u>	<u>\$933,000</u>	<u>\$811,000</u>	<u>\$745,000</u>

East Liverpool City School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

D. - All Other Revenues

All other revenues include tuition, open enrollment, Midland tuition, transportation, interest on investments, education fees, rentals, other receipts, and the refund of prior year expenditures.

The School District receives tuition for students from Midland, Pennsylvania who attend the East Liverpool City School District, as well as from open enrollment tuition for students who reside in another School District and attend the East Liverpool City School District. The tuition revenue from students from Midland is forecast to remain consistent. Open enrollment tuition is decreasing due to a decline in enrollment.

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. 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. Interest revenue will be held constant during the forecast period.

Other revenue consists of gym rentals, education fees, donations, other revenue and the refund of prior year expenditures. The majority of this revenue is for other revenue. These are all expected to remain consistent for the forecast period.

All other revenues consist of the following:

Revenue Sources	Forecast				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Regular Tuition	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
Open Enrollment Tuition	508,000	498,000	488,000	478,000	469,000
Midland Tuition	29,000	29,000	29,000	29,000	29,000
Transportation	24,000	24,000	24,000	24,000	24,000
Interest on Investments	190,000	190,000	190,000	190,000	190,000
Education Fees	3,000	3,000	3,000	3,000	3,000
Rentals	9,000	9,000	9,000	9,000	9,000
Other Revenue	75,000	65,000	65,000	65,000	65,000
Donations	4,000	4,000	4,000	4,000	4,000
Payments in Lieu of Taxes	6,000	6,000	6,000	6,000	6,000
Sale of Capital Assets	5,000	5,000	5,000	5,000	5,000
Refund of Prior Year Expenditures	3,000	3,000	3,000	3,000	3,000
Totals	<u>\$872,000</u>	<u>\$852,000</u>	<u>\$842,000</u>	<u>\$832,000</u>	<u>\$823,000</u>

E. - Other Financing Sources

During fiscal year 2009, the general fund expects repayment of \$423,000 in advances. In fiscal year 2008, the general fund advanced money to several grant funds to prevent them from ending the year with a deficit balance. The advances are repaid in the following fiscal year.

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay, retirement incentive bonuses, insurance opt out payments, and all other bonuses. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. General Fund staffing levels are as follows:

	<u>June 2006</u>	<u>June 2007</u>	<u>June 2008</u>	<u>June 2009</u>
General Fund:				
Certified	188	186	165	159
Classified	82	78	78	78
Total General Fund	<u>270</u>	<u>264</u>	<u>243</u>	<u>237</u>
Other Funds:				
Certified	34	23	23	25
Classified	34	29	33	33
Total Other Funds	<u>68</u>	<u>52</u>	<u>56</u>	<u>58</u>
Total Employees	<u>338</u>	<u>316</u>	<u>299</u>	<u>295</u>

The School District is not anticipating any changes in staffing levels throughout the forecast period.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The contract covers the period September 1, 2006 through August 31, 2009, and allows for one percent increases in the base salary in fiscal years 2007 and 2008 and a two percent increase in fiscal year 2009. Step increases range from 4.5 to 6 percent for the contract period and are based on the current negotiated contract.

Classified salaries are based on a negotiated contract which includes base and step increases. The current contract covers the period September 1, 2006 through August 31, 2009, and allows for a two percent increase in the base salary in fiscal years 2007 through 2009. Step increases range from 0 to 6 percent for the contract period covered and are based on the current negotiated contract.

The School District has assumed annual base increases of two percent and step increases similar to the current or past negotiated agreements for the fiscal years 2010 to 2013 for its certified and classified employees. These agreements are subject to negotiation and approval by the Board of Education. The likelihood of achieving similar base increases for fiscal years 2010 through 2013 is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. Should the School District agree to an additional one percent increase, it would increase certified and classified salaries totaling approximately \$99,000 beginning in 2010 and decrease the fund balance by the same amount. The one percent increase would increase salaries by approximately \$402,000 over the life of the forecast. The School District offers severance pay upon retirement to its certified and classified employees with at least five years of service in the School District. Payments for certified and classified employees are equal to one-third of the first ninety days of accumulated sick leave plus ten percent of all days beyond the first ninety. Payment is based on the daily rate of pay at retirement. The School District anticipates severance payments to be at the same level as the past fiscal years due to a consistent level of employees eligible to retire during the forecast period.

East Liverpool City School District

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2009 through June 30, 2013

The School District offers a retirement incentive bonus of \$10,000 to certified employees with 20 or more years of service with the School District. The payment is made in two equal payments in June of consecutive years after retirement. The incentive is expected to be offered during the forecast period. The School District expects the retirement incentive to remain steady during the forecast period due to a consistent level of employees eligible to retire during the forecast period.

The School District offers an incentive for those employees not taking health care, a professional growth bonus, and an attendance bonus for its employees. The amount of these bonuses is anticipated to remain consistent as the number of certified and classified employees that are taking part in these programs in fiscal year 2009 varies little from the three prior fiscal years.

Presented below is a comparison of salaries and wages for fiscal years 2009 through 2013.

	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Actual Fiscal Year 2011	Forecast Fiscal Year 2012	Forecast Fiscal Year 2013
Certified Salaries	\$7,930,000	\$8,057,000	\$8,291,000	\$8,512,000	\$8,741,000
Classified Salaries	1,785,000	1,824,000	1,862,000	1,899,000	1,937,000
Substitute Salaries	307,000	307,000	307,000	307,000	307,000
Supplemental Contracts	179,000	182,000	186,000	191,000	194,000
Severance Pay	125,000	133,000	133,000	133,000	133,000
Retirement Incentive Bonus	110,000	96,000	96,000	96,000	96,000
Insurance Opt Out and Bonuses	123,000	123,000	124,000	125,000	126,000
Other Salaries and Wages	12,000	12,000	12,000	12,000	12,000
Totals	<u>\$10,571,000</u>	<u>\$10,734,000</u>	<u>\$11,011,000</u>	<u>\$11,275,000</u>	<u>\$11,546,000</u>

B. – Employees’ Retirement/Insurance Benefits

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

Retirement costs are based on the employers’ contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from a variance in estimates are prorated over the next calendar year. Retirement costs are forecasted to increase based on the increase in forecasted salaries over the next five fiscal years. The School District pays the employee retirement contributions for its superintendent and treasurer and one percent of the ten percent of the employee part of retirement contributions for all other administrators.

Health care costs are based on rates negotiated by the Board of Education with Medical Mutual of Ohio through December 31, 2008. Beginning January 1, 2009 the School District has selected the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), to provide for medical, prescription drug and dental care. Vision will continue to be provided through Medical Mutual of Ohio. All funds are charged for the number of employees participating in the program and the type of coverage (single or family) provided to each employee. In fiscal year 2009, health care costs are expected to decrease due to decreases in premiums. Costs for fiscal years 2010 through 2013 are anticipated to increase ten percent each fiscal year due to anticipated increases in the health insurance industry.

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May as in prior fiscal years. The School District anticipates a minor increase each fiscal year due to a forecasted increase in salaries.

Presented below is a comparison of employees' retirement and insurance for the fiscal years 2009 through 2013:

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Employer's Retirement	\$1,489,000	\$1,495,000	\$1,528,000	\$1,567,000	\$1,605,000
Health Care/Life Insurance	3,372,000	3,709,000	4,080,000	4,488,000	4,937,000
Workers' Compensation	107,000	109,000	111,000	113,000	116,000
Medicare	98,000	100,000	102,000	104,000	106,000
Unemployment	9,000	9,000	9,000	9,000	9,000
Tuition Reimbursement	26,000	26,000	26,000	26,000	26,000
Totals	<u>\$5,101,000</u>	<u>\$5,448,000</u>	<u>\$5,856,000</u>	<u>\$6,307,000</u>	<u>\$6,799,000</u>

C. - Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2009 through 2013:

	Fiscal Year 2009	Fiscal Year 2010	Forecast Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Professional and Technical Services	\$596,000	\$496,000	\$502,000	\$508,000	\$515,000
Property Services	348,000	332,000	323,000	333,000	843,000
Travel and Meeting Expenses	22,000	22,000	22,000	22,000	22,000
Communication Costs	56,000	58,000	60,000	61,000	63,000
Utility Services	544,000	580,000	708,000	729,000	751,000
Tuition and Other Similar Payments	3,206,000	3,379,000	3,563,000	3,760,000	3,971,000
Other Purchased Services	27,000	18,000	18,000	18,000	18,000
Totals	<u>\$4,799,000</u>	<u>\$4,885,000</u>	<u>\$5,196,000</u>	<u>\$5,431,000</u>	<u>\$6,183,000</u>

Professional and technical services are anticipated to remain at a relatively consistent level for the forecast period. Employee contracts will need to be renegotiated during the forecast period; in fiscal year 2009 expenditures are expected to be higher because of the extra costs related to legal fees for negotiations. Property services are expected to remain relatively consistent during the forecast period. In fiscal year 2013 there is a \$500,000 increase forecasted due to the School District anticipating the costs for demolishing the administration building. Utility services are showing gradual increases due to an increase in consumption and the increased cost to purchase gas, water and electric. In fiscal year 2011, utility services has a larger increase due to the High School and LaCroft Elementary converting to gas heat when they reopen after renovations. Prior to this the School District had a contract for electric heat that was beneficial to the School District. Tuition and other similar payments are expected to increase due to increased payments to neighboring schools for open enrollment and increases in special education costs.

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

D. - Supplies and Materials

The following table is a comparison of the supplies and materials expenditures for fiscal years 2009 through 2013:

	Forecast				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
General Supplies, Library Books and Periodicals	\$415,000	\$332,000	\$233,000	\$233,000	\$233,000
Operations, Maintenance and Repair	287,000	294,000	264,000	271,000	278,000
Textbooks	106,000	38,000	38,000	38,000	38,000
Totals	<u>\$808,000</u>	<u>\$664,000</u>	<u>\$535,000</u>	<u>\$542,000</u>	<u>\$549,000</u>

General supplies, library books and periodicals are forecasted to increase in fiscal year 2009 due to the School District needing to replenish depleted levels and to replace outdated materials as the financial situation improves. In fiscal years 2010 through 2013, it is expected to level off and stay consistent. Operations, maintenance and repair is anticipated to increase due to the cost of diesel fuel and from necessary repairs required on existing school buildings. The decrease in fiscal year 2011 is due to the expected closing of Westgate School Complex. The increase in textbooks during fiscal year 2009 is due to the School District's replacement of out-dated textbooks that were continued to be used due to the financial condition of the School District.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. The School District expects to purchase two buses in fiscal year 2009 and an additional bus each year of the forecast period. The forecast shows a decrease in equipment purchases for fiscal year 2011, when it evens out and is expected to remain consistent for the rest of the forecast period.

F. - Debt Service

At June 30, 2008, the School District's has no outstanding general fund supported debt. The energy conservation note was retired in full in September 2007. The School District issued the energy conservation notes for the purpose of lighting and window replacement throughout the School District. These notes were repaid with property taxes over a ten year period.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. The forecast reflects a decrease from fiscal year 2009 to fiscal year 2010 due to the School District having two audits during fiscal year 2009. The rest of the forecast period will have a slight increase each year of the forecast.

H. - Operating Advances/Transfers Out

Transfers out of \$85,000 are anticipated during the entire forecast period to the athletics fund to help pay for the cost of the athletic program.

East Liverpool City School District

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Summary of Significant Assumptions and Accounting Policies
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The School District is forecasting advances out in the amount of \$423,000 for fiscal year 2009 due to the timing of the receipt of grant monies to the various funds. For fiscal years 2010 through 2013 advances out are expected to be \$100,000. 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.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects were \$581,000 for fiscal year 2008. Encumbrances for purchased services, supplies and materials, capital outlay and other objects have been increasing at an average rate of 32 percent over the past three years; however, encumbrances for fiscal year 2009 are anticipated to stay in line with fiscal year 2008 amounts due to the Treasurer making a concentrated effort to keep encumbrances to a minimum. For the remaining forecast period, the School District anticipates encumbrances staying consistent at \$581,000.

Note 9 - Reservations of Fund Balance

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

A. - Textbooks and Instructional Materials Set-Aside

The set aside requirement for fiscal year 2009 is \$384,000. There was a carryover balance of \$175,000 from fiscal year 2008. The School District anticipates \$521,000 in qualifying expenditures during the current fiscal year. Therefore, a reserve in the amount of \$38,000 is forecasted for textbook and instructional materials. The School District's set aside requirement is anticipated to decrease at a rate of five percent per year for fiscal years 2010 through 2013. The School District anticipates the qualified expenditures to be less than the set aside requirement during the forecast period.

B. - Capital Acquisition and Improvements

The set aside requirement for fiscal year 2009 is \$384,000. The School District anticipates \$481,000 in offsets for the classroom facilities bonds and maintenance levy during the current fiscal year. No reserve is forecasted for capital acquisition and improvements for fiscal year 2009 through 2013, as the School District anticipates offsets to exceed the annual set aside requirement.

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

C. – Bus Purchases

At June 30, 2008, the School District had \$50,000 in unspent bus monies. The School District anticipates receiving \$20,000 in a bus purchase allowance during fiscal year 2009. The School District anticipates spending approximately \$20,000 on the purchase of two handicapped buses during fiscal year 2009, leaving a reserve balance of \$50,000 forecasted for bus purchases. The School District expects to receive \$20,000 in bus purchase monies in fiscal years 2010 through 2013 and intends on spending \$80,000 on one new bus during each of the forecast years; therefore there will be no reserve for bus purchases during fiscal years 2010 through 2013.

D. – Poverty Based Assistance

At June 30, 2008, the School District had \$492,000 in unspent Poverty Based Assistance monies. For fiscal year 2009, the School District anticipates receiving \$1,397,000 in restricted Poverty Based Assistance monies, and having \$1,666,000 in Poverty Based Assistance expenditures leaving a reserve balance of \$223,000 for fiscal year 2009. This remaining amount will be depleted in fiscal year 2010 as the program winds down. This program is not anticipated to continue beyond 2009.

Note 10 - Levies

Since 1996, 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>
August 1996	Continuing	7.00 mills	Continuing	Failed
November 1996	Continuing	7.00 mills	Continuing	Passed
November 1997	Permanent Improvement	2.00 mills	5 Years	Passed
November 1998	Bond Issue	\$5,648,000	23 Years	Failed
February 1999	Bond Issue	\$5,648,000	23 Years	Failed
May 1999	Bond Issue	\$6,595,000	23 Years	Failed
November 1999	Income Tax Issue	0.75 mills	Continuing	Failed
March 2000	Renewal - Emergency	\$1,058,000	5 Years	Passed
May 2002	Bond Issue	\$7,900,000	26 Years	Passed
November 2004	Renewal - Emergency	\$1,058,000	5 Years	Failed
August 2005	Emergency	\$2,024,000	5 Years	Failed
November 2005	Renewal - Emergency	\$1,058,000	5 Years	Passed

In fiscal year 2010 of the forecast period, the 2005 renewal – emergency property tax levy will expire. The School District anticipates this levy will be renewed.

Note 11 – Pending Litigation

The School District currently has no pending litigation.

East Liverpool City School District

Columbiana County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 12 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. In addition, there are certain funds that annually rely upon a subsidy from the General Fund to meet their obligations. These subsidies are reported as transfers out and have been addressed in Note 7-H.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

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Mary Taylor, CPA
Auditor of State

EAST LIVERPOOL CITY SCHOOL DISTRICT

COLUMBIANA 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 24, 2009**