



Mary Taylor, CPA
Auditor of State

Edison Local School District
Jefferson County, Ohio

Fiscal Watch Termination

Local Government Services Section

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

FISCAL WATCH TERMINATION

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Edison Local School District Financial Forecast
For the Fiscal Years Ending June 30, 2009 through June 30, 2013

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Mary Taylor, CPA
Auditor of State

Termination of Fiscal Watch

Pursuant to a request submitted to the Auditor of State by the Edison Local School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Edison Local School District has met the Guidelines for Release from Fiscal Watch as published by the Auditor of State and the Ohio Department of Education. The Edison Local School District's status of Fiscal Watch is hereby terminated as of April 2, 2009.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Larry Crow, President of the Board of Education of the Edison Local School District; J. Pari Sabety, Director of Budget and Management; Debra S. Delisle, State Superintendent of Public Instruction, and Patrick J. Marshall, Jefferson County Auditor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

April 2, 2009

**Edison Local School District
Jefferson County**

Analysis for Termination of Fiscal Watch

The Declaration of Fiscal Watch

The Auditor of State, in accordance with Section 3316.03 of the Ohio Revised Code, is required to declare a school district to be in a state of fiscal watch if it is determined that the school district meets any one of the four conditions described in Section 3316.03(A) of the Ohio Revised Code. The conditions are:

1. The Auditor of State has certified a forecasted general fund operating deficit for the current fiscal year exceeding 8 percent of the school district's general fund revenue for the preceding fiscal year, and the district has not passed a tax levy to eliminate this condition in the succeeding year.
2. A school district has restructured its operating debt while in fiscal emergency, the fiscal emergency has been terminated and any portion of the restructured debt is still outstanding.
3. A school district was placed in fiscal caution due to budgetary conditions that could lead to a declaration of watch or emergency, the school district has not acted reasonably to correct the noted fiscal conditions, and the Ohio Department of Education has determined that a declaration of fiscal watch is necessary to prevent further fiscal decline.
4. The Auditor of State has certified a forecasted general fund operating deficit for the current fiscal year between two percent and eight percent of the school district's general fund revenue for the preceding fiscal year, the district has not passed a levy to eliminate the deficit in the succeeding fiscal year, and the Auditor of State determines there is no reasonable cause for the deficit or that declaring fiscal watch is necessary to prevent further fiscal decline.

On November 29, 2006, the Department of Education declared the Edison Local School District to be in a state of Fiscal Caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for fiscal years ending June 30, 2007 and 2008. The Department of Education notified the Auditor of State that Edison Local 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.

The Auditor of State declared the Edison Local School District in Fiscal Watch on February 8, 2007, based on the School District's failure to submit an acceptable written proposal required by Section 3316.031(C) for correcting the conditions that prompted the declaration of Fiscal Caution and an analysis of the School District's five-year forecast filed with the Department of Education on October 25, 2006, which included deficits of \$1,893,000 and \$2,851,000 for fiscal years 2007 and 2008, respectively.

Guidelines for Removal from Fiscal Watch

The procedures for removing a school district from fiscal watch are set forth in Guidelines for Release from Fiscal Watch, developed by the Ohio Department of Education and the Auditor of State. These guidelines permit a school district to first submit a request for release from fiscal watch in the fiscal year following the fiscal year in which the Auditor of State declared the school district in fiscal watch. A school district may not request release from fiscal watch in the same fiscal year in which the Auditor of State made the declaration. Additionally, a school district may not request release from fiscal watch until the State Superintendent of Public Instruction has approved the financial recovery plan of the school district.

**Edison Local School District
Jefferson County**

Analysis for Termination of Fiscal Watch

A school district seeking release from fiscal watch must request release by sending a letter and board resolution to the Auditor of State and the State Superintendent of Public Instruction.

The Department of Education will:

- Determine whether the district has met the requirements of its financial recovery plan (including alleviating the conditions that lead to the declaration of fiscal watch and alleviating any conditions and discontinuing any practices identified by the Auditor of State that could lead to the declaration of fiscal caution) and provide the Auditor of State with a written summary of its findings; and,
- Based on its review and analysis of the district, notify the Auditor of State whether it supports the Board of Education's request for release.

The Auditor of State will:

- Determine that the district received an unqualified opinion on its most recent audit of its financial statements and that the statements were prepared in accordance with generally accepted accounting principles;
- Determine that the compliance and management letters issued as part of the most recent audit contain no material issues relating to accounting policies and procedures that could negatively impact the financial recovery or condition of the district;
- Examine the district's five-year forecast. To be eligible for release from watch, the forecast must be based on the board's most likely course of action, demonstrate that the district will avoid all fiscal watch conditions for the current and ensuing fiscal year, and receive an unqualified opinion from the Auditor of State; and,
- Make a determination regarding release and notify the school district and the Department of Education.

Analysis of Compliance with the Guidelines for Termination of Fiscal Watch

The Auditor of State received a letter from the Ohio Department of Education which recommended that Edison Local School District be released from fiscal watch on December 2, 2008. The Edison Local School District Board of Education passed a resolution on January 15, 2009, requesting termination from fiscal watch.

The primary strategy of the recovery plan dated May 1, 2007, was to decrease operating expenditures. Proposals to achieve this strategy included the following:

- The reduction of twelve certified personnel;
- The reduction in force of two educational service personnel;
- The closing of two elementary school buildings;
- The reduction of one administrator and realignment of administrative contracts;
- The reduction of nine non-certified personnel;

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Jefferson County**

Analysis for Termination of Fiscal Watch

- The reduction of supplemental contracts;
- The elimination of all extended time contracts;
- The elimination of one bus driver position; and
- To negotiate changes to the current health care plan.

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

- Reduced personnel costs (salaries and benefits), through the elimination of various certified, classified and administrative positions along with reductions in supplemental contracts and extended time contracts for both certified and classified positions during fiscal years 2007 through 2009. Through reductions in force as well as the elimination of positions through attrition, the School District has been able to reduce general fund certified staff by a total of 22, and classified staff by a total of 7 since fiscal year 2007.
- Closed Richmond and Irondale elementary school buildings at the end of the 2006-2007 school year; and
- Implemented changes to the health care plan, which included termination in the OME-RESA Health Care Consortium self-insurance plan, an increase for the employee share of monthly premiums as well as changes to the benefit plan. Subsequent to the termination of participation in the OME-RESA Health Care Consortium, the School District was entitled to a refund of their cash balance held by OME-RESA, which resulted in the School District receiving a one-time refund in the amount of \$1,362,000 during fiscal year 2009.

The Ohio Department of Education provided the Auditor of State with a letter, dated December 2, 2008, in which ODE stated “. . .the District has achieved the objectives of the recovery plan...ODE recommends the Edison Local School District be released from fiscal watch.”

The guidelines require the School District to receive an unqualified opinion on the audit of its financial statements prepared in accordance with generally accepted accounting principles. The School District's General Purpose External Financial Statements for the fiscal year ended June 30, 2007, was released by the Auditor of State on March 18, 2008, and included an unqualified opinion.

As part of the analysis for termination of fiscal watch, the School District's compliance and management letters issued as part of the audit for fiscal year 2007, the most recent audit, were reviewed. Because the next audit has not been yet completed, we determined the corrective action taken to resolve the compliance issues from the last audit. The compliance letters disclosed three citations in the report on compliance as follows:

- Finding Number 2007-001, Non-Compliance Citation

Ohio Revised Code Section 5705.10 provides that money paid into any fund shall be used for the purpose for which it was established. At June 30, 2007, the General Fund had a deficit balance. This deficit balance indicates that money from another fund(s) has been used to pay the obligations of the General Fund.

**Edison Local School District
Jefferson County**

Analysis for Termination of Fiscal Watch

Corrective Action

The Board of Education anticipated a deficit balance at June 30, 2007 and 2008, while they implemented their cost reduction plan. The School District's five year forecast does not include a deficit for the current and next two fiscal years.

- Finding Number 2007-002, Non-Compliance Citation/Significant Deficiency

Ohio Administrative Code 117-2-02(1) states, all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing and accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The School District did not accurately post the amounts of appropriations as approved by the Board or the amounts of estimated resources as certified by the budget commission to the ledgers. The School District passed appropriations totaling \$20,962,735; however, the system reported total appropriations of \$21,314,235, a variance of \$351,500. The budget commission certified estimated resources totaling \$20,502,290; the School District's ledgers reflected only \$19,567,205, reflecting a variance of \$935,085.

Corrective Action

The School District Treasurer compares the amended certificates and appropriation resolutions to what is entered into the accounting system to ensure it matches the supporting documentation. The Treasurer has adopted procedures in the Treasurer's office to ensure compliance with budgetary requirements, including comparing the budget amounts in the accounting system to the source documents. The Board of Education receives monthly packets of information from the Treasurer's office that includes budget reports.

- Finding Number 2007-002, Significant Deficiency

Ohio Administrative Code 117-2-02 (B)(1) requires the government to maintain accounting records sufficient to reasonably assure accountability for all the transactions. Monthly bank reconciliations included fund balances and reconciling items that were incorrect and unsupported and the District maintained separate athletic bank accounts that were not included on the District's ledgers or reconciliations. The reconciliation process did not reflect accurate fund balances for January 2007 through June 2007.

In order to present an accurate cash reconciliation, an adjustment was posted to the District's cash balances in the amount of \$2,255 and is reflected in the financial statements.

Corrective Action

The June 30, 2008 reconciliation, had several reconciling items mostly related to payroll that were all supported and the Treasurer posted the adjustments. The January 31, 2009 reconciliation indicated that bank balances were reconciled to book balances. The School District currently has procedures in place in the Treasurer's office to ensure timely and accurate reconciliations.

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Analysis for Termination of Fiscal Watch

The Board of Education receives a management letter at the conclusion of each bi-annual audit. The letter that accompanied the 2007 audit included noncompliance findings and seven recommendations, all of which were immaterial. Management has implemented changes as a result of the findings and recommendations.

The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2009 through 2013, to determine if the School District will avoid fiscal watch conditions for the current and ensuing fiscal years. The financial forecast and our report thereon are included in Appendix A. The financial forecast reflects a positive unencumbered/unreserved general fund balance through fiscal year 2011. Our report on the financial forecast includes an unqualified opinion.

Conclusion

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

- 1) The School District has received an unqualified opinion on financial statements prepared in accordance with generally accepted accounting principles for fiscal year ended June 30, 2007.
- 2) The School District has taken corrective action regarding the issues in the compliance letter issued as part of the 2007 audit;
- 3) The management letter issued at the completion of the 2007 audit included no material findings and no material recommendations;
- 4) The Ohio Department of Education has provided a letter dated December 2, 2008, which indicates the School District has achieved the objectives of the recovery plan and should be released from fiscal watch; and
- 5) The Auditor of State has examined the School District's financial forecast. The forecast demonstrates that the School District will avoid a fiscal watch condition based on the general fund balances for fiscal years 2008 through 2011.

The Edison Local School District has met the guidelines for termination of fiscal watch; therefore, the fiscal watch status is hereby cancelled as of April 2, 2009.

It is understood that this report's determination is for the use of the School District's Board of Education, the Superintendent of Edison Local School District, the Director of Budget and Management, the State Superintendent of Public Instruction, Jefferson County Auditor, and the Auditor of the State of Ohio, and others as designated by the Auditor of State, and is not to be used for any other purpose.

Disclaimer

Because the preceding procedures were not sufficient to constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on any specific accounts or fund balances identified 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

Edison Local School District
Jefferson County, Ohio

Financial Forecast

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

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Edison Local School District – Jefferson County

Fiscal Watch Termination

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Mary Taylor, CPA

Auditor of State

Board of Education
Edison Local School District
14890 State Highway 213
P.O. Box 158
Hammondsville, Ohio 43930

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 Edison Local School District for the fiscal years ending June 30, 2009 through June 30, 2013. The Edison Local 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 Edison Local 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.

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

Mary Taylor, CPA
Auditor of State

February 23, 2009

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Edison Local School District

Jefferson 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	\$7,080,000	\$8,447,000	\$6,878,000	\$7,920,000
Tangible Personal Property Tax	571,000	34,000	87,000	57,000
Unrestricted Grants-in-Aid	7,577,000	7,471,000	7,573,000	7,346,000
Restricted Grants-in-Aid	726,000	882,000	713,000	867,000
Property Tax Allocation	916,000	1,006,000	1,308,000	1,501,000
All Other Revenues	771,000	803,000	945,000	1,256,000
<i>Total Revenues</i>	<u>17,641,000</u>	<u>18,643,000</u>	<u>17,504,000</u>	<u>18,947,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	1,000,000	2,000,000	3,700,000	0
Proceeds from Sale of Bonds	0	571,000	0	0
Transfers In	0	0	2,000	1,000,000
Advances In	4,000	68,000	132,000	90,000
All Other Financing Sources	10,000	18,000	0	2,000
<i>Total Revenues and Other Financing Sources</i>	<u>18,655,000</u>	<u>21,300,000</u>	<u>21,338,000</u>	<u>20,039,000</u>
Expenditures				
Personal Services	9,499,000	9,319,000	8,623,000	8,630,000
Employees' Retirement/Insurance Benefits	4,378,000	5,369,000	4,256,000	4,479,000
Purchased Services	2,302,000	2,467,000	2,977,000	2,806,000
Supplies and Materials	735,000	731,000	860,000	817,000
Capital Outlay	436,000	848,000	252,000	668,000
Debt Service:				
Principal-Notes	1,000,000	2,000,000	3,700,000	0
Principal-Bonds	0	0	103,000	109,000
Principal-Leases	0	0	120,000	104,000
Interest	7,000	39,000	88,000	35,000
Other Objects	454,000	417,000	489,000	418,000
<i>Total Expenditures</i>	<u>18,811,000</u>	<u>21,190,000</u>	<u>21,468,000</u>	<u>18,066,000</u>
Other Financing Uses				
Transfers Out	52,000	61,000	85,000	60,000
Advances Out	68,000	125,000	90,000	30,000
All Other Financing Uses	0	108,000	2,000	0
<i>Total Other Financing Uses</i>	<u>120,000</u>	<u>294,000</u>	<u>177,000</u>	<u>90,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>18,931,000</u>	<u>21,484,000</u>	<u>21,645,000</u>	<u>18,156,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(276,000)	(184,000)	(307,000)	1,883,000
Cash Balance July 1	476,000	200,000	16,000	(291,000)
Cash Balance June 30	<u>200,000</u>	<u>16,000</u>	<u>(291,000)</u>	<u>1,592,000</u>
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	114,000	203,000	110,000	130,000
Reserves for:				
Textbooks and Instructional Materials	403,000	84,000	0	0
Capital Improvements	2,000	0	0	0
Bus Purchases	21,000	57,000	0	25,000
Total Encumbrances and Reserves of Fund Balance	<u>540,000</u>	<u>344,000</u>	<u>110,000</u>	<u>155,000</u>
Unencumbered/Unreserved Fund Balance June 30	(340,000)	(328,000)	(401,000)	1,437,000
Revenue from Replacement/Renewal Levies				
Property Tax - Renewal or Replacement	0	0	0	0
Cumulative Balance of Replacement/Renewal Levies	0	0	0	0
Unencumbered/Unreserved Fund Balance June 30 with Renewal or Replacement Levies	<u>(\$340,000)</u>	<u>(\$328,000)</u>	<u>(\$401,000)</u>	<u>\$1,437,000</u>

See accompanying summary of significant forecast assumptions and accounting policies

<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>
\$8,010,000	\$7,653,000	\$7,349,000	\$7,500,000
12,000	4,000	0	0
7,346,000	7,346,000	7,346,000	7,346,000
789,000	789,000	789,000	789,000
1,603,000	1,394,000	1,215,000	1,204,000
896,000	896,000	896,000	896,000
<u>18,656,000</u>	<u>18,082,000</u>	<u>17,595,000</u>	<u>17,735,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
30,000	30,000	30,000	30,000
8,000	8,000	8,000	8,000
<u>18,694,000</u>	<u>18,120,000</u>	<u>17,633,000</u>	<u>17,773,000</u>
8,937,000	9,256,000	9,587,000	9,930,000
4,838,000	5,244,000	5,690,000	6,180,000
3,058,000	3,091,000	3,125,000	3,161,000
828,000	852,000	877,000	877,000
65,000	67,000	69,000	71,000
0	0	0	0
114,000	119,000	125,000	0
108,000	112,000	116,000	0
27,000	17,000	7,000	0
441,000	444,000	469,000	474,000
<u>18,416,000</u>	<u>19,202,000</u>	<u>20,065,000</u>	<u>20,693,000</u>
60,000	60,000	60,000	60,000
30,000	30,000	30,000	30,000
0	0	0	0
<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
<u>18,506,000</u>	<u>19,292,000</u>	<u>20,155,000</u>	<u>20,783,000</u>
188,000	(1,172,000)	(2,522,000)	(3,010,000)
<u>1,592,000</u>	<u>1,780,000</u>	<u>608,000</u>	<u>(1,914,000)</u>
<u>1,780,000</u>	<u>608,000</u>	<u>(1,914,000)</u>	<u>(4,924,000)</u>
130,000	130,000	130,000	130,000
0	0	0	0
0	0	0	0
54,000	83,000	112,000	141,000
<u>184,000</u>	<u>213,000</u>	<u>242,000</u>	<u>271,000</u>
1,596,000	395,000	(2,156,000)	(5,195,000)
<u>0</u>	<u>567,000</u>	<u>1,050,000</u>	<u>1,050,000</u>
<u>0</u>	<u>567,000</u>	<u>1,617,000</u>	<u>2,667,000</u>
<u>\$1,596,000</u>	<u>\$962,000</u>	<u>(\$539,000)</u>	<u>(\$2,528,000)</u>

Edison Local School District

Jefferson County

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

Note 1 – The School District

The Edison Local School District (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 eight instructional/support facilities staffed by 12 administrative employees, 92 non-certified employees, and 132 certificated full time teaching personnel who provide services to 2,226 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Edison Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 23, 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 revenues 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 the general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

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

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

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.

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

Edison Local School District

Jefferson County

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

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 Jefferson County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

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

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

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

Note 5 - General Operating Assumptions

The Edison Local 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 into the Ohio General Assembly.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real estate, public utility real and personal property, manufactured homes, and tangible personal property used in business which are located within the School District. Property taxes are collected for, and distributed to, the School District by the Jefferson, Carroll, and Harrison County Auditors and Treasurers. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the County Auditors 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.

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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 collection year 2006, the State eliminated the ten percent rollback on commercial and industrial property. The change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2010 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:

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$4.00
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	1.45
Current Expense	1976	n/a	14.55
Current Expense	1977	n/a	7.60
Emergency (\$1,050,000)	2005	2010	2.30
Total Tax Rate			<u>\$29.90</u>

The School District's total tax rate is \$29.90 per \$1,000 of assessed value.

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 property tax revenues on carry-over 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 amount of revenue 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

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mills. For the general fund, the effective residential and agricultural real property tax rate is \$22.30 per \$1,000 of assessed valuation, and the effective commercial and industrial rate is \$22.62 per \$1,000 of assessed valuation for the collection year of 2009.

Public utility real and personal property taxes are collected and settled by the counties 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 revenues and are based upon anticipated assessed valuations and existing tax levies. The anticipated assessed valuations take into account increases from new construction and a slight increase from an update and a reappraisal in fiscal years 2010 and 2013, respectively. In fiscal year 2009, the School District anticipates an increase of \$1,042,000 from the prior fiscal year primarily due to the School District receiving an advance of fiscal year 2008 tax revenue in fiscal year 2007 in the amount of \$920,000.

On November 8, 2005, the voters approved a \$1,050,000 five year, emergency levy with collection beginning in fiscal year 2007. Beginning in fiscal year 2011, property taxes are anticipated to decrease due to the expiration of the emergency levy. The School District will request renewal of the levy in 2010. The revenue from the renewal of the Emergency Levy has been excluded from the anticipated revenues due to the uncertainty of voter approval.

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

Beginning in 2006, House Bill 66 will phase out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period (2004), will lose approximately \$350,000 annually when the tangible personal property tax is completely phased out in 2009. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

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Tangible personal property tax revenue includes estimated October 2008 and June 2009 personal property tax settlements. The October 2008 tangible personal property tax settlement is the last property tax settlement for general personal property taxes. The June 2009 personal property tax settlement is for telephone property only. The decrease in revenue for the forecast period compared to the prior fiscal years is due to the phase out of tangible personal property taxes.

B. - Unrestricted and Restricted Grants-in-Aid

Unrestricted Grants-in-Aid represent State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as 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 less the equivalent of 23 mills times the school district’s taxable property valuation. In prior years, the per pupil foundation amount was increased by a regional cost of doing business factor. The cost of doing business factor was phased out by one-third each year beginning in fiscal year 2006. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2005. The per pupil amount for fiscal years 2008 and 2009 was increased by three percent. 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. The per pupil amount for fiscal years 2006 to 2009 is as follows:

<u>Fiscal Year</u>	<u>Per Pupil Foundation Level</u>	<u>Building Blocks</u>	<u>Total</u>
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 reported on the January SF-3 for fiscal year 2009 and the anticipated amounts for the next four fiscal years are as follows:

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	<u>Forecasted</u>
	<u>Fiscal Year</u>
	<u>2009</u>
Formula Aid	\$4,293,000
Categorical Funding	480,000
Charge-Off Supplement	225,000
Transportation	892,000
Excess Cost	226,000
Transitional Aid Guarantee	1,347,000
Foundation Adjustments	<u>(117,000)</u>
Totals	<u>\$7,346,000</u>

Formula aid is anticipated to decrease slightly from prior fiscal year due to a decrease in ADM. Categorical funding and excess cost supplement is projected to increase over fiscal year 2008 due to increased special education average daily membership of 11.16. The School District anticipates receiving transitional aid guarantee and charge-off supplement revenue in fiscal year 2009. The transitional aid guarantees the School District will receive at least the same amount of base formula aid as the base year. The charge-off supplement is to fill any gap that exists between the local revenue raised by a district and the amount the foundation formula assumes the district should raise to meet its local share of formula aid, special education and vocational education weighted aid and transportation aid. If a district's local revenue falls below the sum of the district's charge-off plus its assumed local share of special education and vocational education weighted aid and transportation aid, the State makes up the shortfall in charge-off supplement aid.

Foundation adjustments represent the difference between the final settlement and a recalculation of the prior year's SF-3 which takes into account corrections for ADM, open enrollment, community school adjustments, and other items.

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance/DPIA monies. For fiscal year 2009, the School District anticipates \$25,000 in bus purchase allowance, \$52,000 in career tech monies and \$790,000 in Poverty Based Assistance which replaced the DPIA program.

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 of fiscal years 2010 through 2013 as fiscal year 2009. The biennial budget is generally adopted in June prior to the start of the new fiscal year beginning July 1.

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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 elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. No increase has been included in intergovernmental revenues nor a decrease in property tax because the amount cannot yet be determined. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimbursed 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. The reimbursements are phased out starting in 2007 and ending in 2016. For fiscal year 2009, the School District anticipates receiving public utility reimbursement in the amount of \$492,000, based on information provided by the Ohio Department of Taxation, and for fiscal years 2011 through 2013 it is decreasing due to the phase-out of utility deregulation payments.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, beginning in fiscal year 2012, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the School District anticipates receiving a steadily increasing reimbursement for the tangible personal property tax phase out until 2011 when the amount begins to decline due to a phase out of the tangible personal property loss reimbursement.

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Property tax allocation revenues for the forecast period 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	\$739,000	\$760,000	\$586,000	\$495,000	\$628,000
Utility Deregulation	492,000	492,000	448,000	361,000	289,000
Tangible Personal Property Loss Reimbursements	270,000	351,000	360,000	359,000	287,000
Totals	<u>\$1,501,000</u>	<u>\$1,603,000</u>	<u>\$1,394,000</u>	<u>\$1,215,000</u>	<u>\$1,204,000</u>

D. - All Other Revenues

All other revenues include open enrollment, tuition, transportation, interest on investments, rentals and other revenue.

The School District receives tuition revenue from other school districts for special education students and open enrollment tuition for students who reside in another school district and attend the Edison Local School District. Open enrollment revenue is expected to remain consistent with the most recent SF-3 information for the forecast period. The School District has realized an average decrease of 87 students for the past five years; however, the School District does anticipate this decrease to continue.

Activity bus reimbursement consists of bus trips and busing for the preschool program and is expected to remain constant for fiscal years 2009 through 2013.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is anticipated to decrease in fiscal year 2009 due to the decreased interest rates and decrease in the amount of cash available to invest.

Preschool transportation and after school programs are forecasted to remain constant for fiscal years 2009 through 2013 based on historical averages.

Other revenue consists of various reimbursements and is expected to remain constant throughout fiscal years 2010 through 2013. During fiscal year 2009, the School District received \$362,000 as a one-time OME-RESA self insurance refund of their cash balance due to termination of participation in the OME-RESA Health Benefits Program. The total amount of the cash refund received from the OME-RESA was \$1,362,000. The School District posted \$362,000 as other revenue and \$1,000,000 as a transfer in. See transfers in for additional details.

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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
Tuition and Open Enrollment	\$757,000	\$757,000	\$757,000	\$757,000	\$757,000
Preschool Fees	17,000	17,000	17,000	17,000	17,000
Activity Bus Reimbursement	62,000	62,000	62,000	62,000	62,000
Interest on Investments	16,000	16,000	16,000	16,000	16,000
Preschool Transportation / After School	14,000	14,000	14,000	14,000	14,000
Rentals	4,000	4,000	4,000	4,000	4,000
Other Revenue	386,000	26,000	26,000	26,000	26,000
Totals	<u>\$1,256,000</u>	<u>\$896,000</u>	<u>\$896,000</u>	<u>\$896,000</u>	<u>\$896,000</u>

E. – Transfers In

During fiscal year 2008, the School District Board of Education terminated participation in the OME-RESA Self-Insurance Plan. As part of the termination agreement, once all run-out claims had been processed, the School District was entitled to receive their remaining cash balance held by OME-RESA. The run-out period and refund occurred in fiscal year 2009. The total amount of the refund was \$1,362,000. The School District posted \$1,000,000 as a transfer in from the Self-Insurance Internal Service Fund to close the fund to the General Fund. The School District received an additional refund of \$362,000 after the fund was closed which was posted as other revenue.

The School District is not anticipating receiving any transfers during 2010 through 2013.

G. – Advances In

In fiscal year 2009, the general fund is anticipating the repayment of advances made during fiscal year 2008 from various state and federal grant funds in the amount of \$90,000. The School District anticipates the return of advances for remainder of the forecast period to be \$30,000 each fiscal year.

H. - Other Financing Sources

In fiscal year 2009, the School received \$2,000 as a refund of prior year expenditure. The School District anticipates receiving \$8,000 in fiscal years 2010 through 2013 for refunds of prior year expenditures based historical averages.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payments for supplemental contracts, severance pay, medical waiver, student workers, and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels are at 236 full-time equivalents and are expected to remain at this level during the forecast period.

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

A comparison of staffing levels by fiscal year is presented below:

	June 30, 2007	June 30, 2008	February 2009
General Fund:			
Certified	152	140	130
Classified	78	69	71
Total General Fund	<u>230</u>	<u>209</u>	<u>201</u>
Other Funds:			
Certified	15	11	10
Classified	28	26	25
Total Other Funds	<u>43</u>	<u>37</u>	<u>35</u>
Total All Employees	<u>273</u>	<u>246</u>	<u>236</u>

The School District has decreased staff by 10 positions in fiscal year 2009, 8 which were from the General Fund. No additional staff changes are anticipated for the remainder of the forecast period.

Certified (teaching) and Classified staff salaries are based on a negotiated contract which includes base and step increases. The contract covers the period beginning July 1, 2007 through June 30, 2010. For fiscal year 2008, the certified contract provided a 3 percent base increase and step increases ranging from 0 percent to 6.2 percent. The classified contract provided a 4 percent base increase and step increases ranging from 0 percent to 1.7 percent. For fiscal year 2009, the certified and classified contracts both provided 2.5 percent base increases. For fiscal year 2010, the certified contract provides a 2 percent base increase, while the classified contract provides a 3 percent base increase. Certified salaries for fiscal years 2011 through 2013 are anticipated to increase 2.5 percent in base salary, while classified salaries for fiscal years 2011 through 2013 are anticipated to increase 3 percent in base salary. In fiscal year 2009, the forecasted salary increases are offset by a decrease of 8 certified staff.

The School District anticipates the cost for substitutes to increase approximately \$8,000 over fiscal year 2008 due primarily to a board approved increase in the substitute pay rate.

Based on the current approved supplemental positions, the School District is anticipating an increase of approximately \$6,000 due primarily to the salary base rate increase. Supplemental contracts are expected to increase slightly for each year of the forecast period due to forecasted wage increases.

The School District offers severance payment to retiring employees of the School District. The certified employees are paid one-fourth of their accumulated sick days at their current daily rate up to a maximum of 72.5 paid days. Classified employees receive 30 percent of their accumulated sick leave days at their current daily rate up to a maximum between 63 and 72 paid days depending on classification. The School District also provides an annual payment for all or a portion of accumulated unused vacation leave to administrative employees at their current daily rate.

The School District offers an attendance incentive to each full time certified employee who has perfect attendance except for professional leave, personal leave, association leave, and three days bereavement leave for each nine week grading period. Eligible employees shall receive a \$100 bonus.

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

	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Certified Salaries	\$6,024,000	\$6,262,000	\$6,510,000	\$6,767,000	\$7,034,000
Classified Salaries	1,695,000	1,750,000	1,806,000	1,865,000	1,926,000
Substitute Salaries	222,000	221,000	221,000	221,000	221,000
Supplemental Contracts	274,000	277,000	279,000	283,000	285,000
Severance Pay	288,000	295,000	304,000	311,000	320,000
Other Salaries and Wages	127,000	132,000	136,000	140,000	144,000
Totals	<u>\$8,630,000</u>	<u>\$8,937,000</u>	<u>\$9,256,000</u>	<u>\$9,587,000</u>	<u>\$9,930,000</u>

B. – Employees’ Retirement/Insurance Benefits

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

Retirement costs are based on the employer’s contribution rate of 14 percent of the salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent, assistant superintendent and treasurer. Retirement costs are forecasted to increase as salaries increase over the next 5 fiscal years.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The School District contracts with an independent health insurance provider, Medical Mutual - Milestone Benefits, for medical, prescription drug, dental, and vision coverages. As of January 1, 2008, employees pay \$15 per pay and the School District pays \$948 in monthly premiums for single coverage, while employees pay \$25 per pay and the School District pays \$1,467 in monthly premiums for family coverage. Beginning January 1, 2010, employees will contribute \$22.50 per pay for single health care benefits and \$ 37.50 per pay for family health care benefits. The School District is forecasting a \$211,000 increase in insurance in fiscal year 2009. This increase is based on a 5.1 percent rate increase beginning in January 1, 2009. The School District also provides life insurance through Fort Dearborn Life Insurance Company at a monthly premium of \$5.60 paid 100 percent by the Board of Education.

In fiscal years 2010 through 2013, health care costs are anticipated to increase approximately 11 percent based on the national average.

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 chooses to make two payments. The School District does not anticipate any significant changes to the workers’ compensation premiums throughout the forecast period.

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Medicare contributions are 1.45 percent of the salaries for contributing staff. Medicare is anticipated to increase each fiscal year as salaries increase.

Unemployment is forecasted to decrease by \$11,000 in fiscal year 2010 due to the large amount of staff reductions from prior fiscal years.

Tuition reimbursements are offered to certified employees. The negotiated agreement places a cap on the tuition reimbursement each fiscal year of \$30,000. Tuition reimbursement is forecasted at \$30,000 each fiscal year based on the historical trends.

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

	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Employer's Retirement	\$1,229,000	\$1,270,000	\$1,313,000	\$1,357,000	\$1,404,000
Health Care Insurance	3,050,000	3,374,000	3,731,000	4,127,000	4,564,000
Workers' Compensation	33,000	34,000	35,000	37,000	38,000
Medicare	120,000	124,000	129,000	133,000	138,000
Unemployment	17,000	6,000	6,000	6,000	6,000
Tuition Reimbursement	30,000	30,000	30,000	30,000	30,000
Totals	<u>\$4,479,000</u>	<u>\$4,838,000</u>	<u>\$5,244,000</u>	<u>\$5,690,000</u>	<u>\$6,180,000</u>

C. - Purchased Services

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

	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Professional and Technical Services	\$126,000	\$130,000	\$134,000	\$138,000	\$142,000
Property Services	333,000	343,000	353,000	364,000	375,000
Travel and Meeting Expenses	102,000	105,000	108,000	111,000	114,000
Communication Costs	29,000	29,000	29,000	29,000	29,000
Utility Services	443,000	456,000	470,000	484,000	499,000
Tuition	1,695,000	1,915,000	1,915,000	1,915,000	1,915,000
Other Purchased Services	78,000	80,000	82,000	84,000	87,000
Totals	<u>\$2,806,000</u>	<u>\$3,058,000</u>	<u>\$3,091,000</u>	<u>\$3,125,000</u>	<u>\$3,161,000</u>

During fiscal year 2009, professional and technical services decreased by \$398,000 which was due to attorney fees related to negotiations and replacement workers during the strike in fiscal year 2008. Communication costs are anticipated to remain constant. Tuition is forecasted to increase in fiscal year 2010 based on historical increases for open enrollment. For fiscal years 2011 through 2013, open enrollment is expected to remain at \$1,915,000. Professional and technical services, property services, travel and meeting expenses, utility costs, and other purchased services are anticipated to increase 3 percent for fiscal years 2010 through 2013 based on historical trends.

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Summary of Significant Assumptions and Accounting Policies
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D. - Supplies and Materials

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

	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Supplies and Materials	\$661,000	\$681,000	\$701,000	\$722,000	\$722,000
Instructional Supplies	17,000	17,000	17,000	17,000	17,000
Textbooks	139,000	130,000	134,000	138,000	138,000
Totals	<u>\$817,000</u>	<u>\$828,000</u>	<u>\$852,000</u>	<u>\$877,000</u>	<u>\$877,000</u>

Supplies and materials are forecasted to decrease a \$43,000 from 2008. The School District restored supplies that have been cut or eliminated over the previous fiscal years due to the financial status of the School District. The entire forecast period reflects a slight increase in spending for supplies and materials which will be needed to maintain supplies and textbooks at a level that is needed to effectively run 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. Capital outlay expenditures are increasing during fiscal year 2009, due to the School District's expenditures for roof repairs to Stanton Middle School, Edison High School, Springfield Middle School, and Pleasant Hill Elementary School, the purchase of two new vans, fire system replacement, and new doors. The School District is forecasting minimal purchases to update equipment, technology, and repairs to buildings for fiscal years 2010 through 2013.

F. - Debt Service

In fiscal year 2008, the School District repaid \$3,700,000 in tax anticipation notes with interest in the amount of \$66,000. The School District issued \$571,000 in general obligation bonds in June 2007. The bonds mature over a five year period and were issued to purchase four buses and make roof repairs. The School District paid \$120,000 in principal and \$22,000 in interest in fiscal year 2008 on the bonds. The School District also entered into a capital lease in fiscal year 2008 for the purchase of 10 buses and made principal payments of \$120,000. A summary of the future debt service is as follows:

	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Bond Principal	\$109,000	\$114,000	\$119,000	\$125,000	\$0
Bond Interest	19,000	14,000	9,000	3,000	0
Capital Lease Principal	104,000	108,000	112,000	116,000	0
Capital Lease Interest	16,000	13,000	8,000	4,000	0
Totals	<u>\$248,000</u>	<u>\$249,000</u>	<u>\$248,000</u>	<u>\$248,000</u>	<u>\$0</u>

Edison Local School District

Jefferson County

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

G. - Other Objects

Presented below are the other object expenditures for the past three fiscal years and the forecast period:

	Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Auditor of State Fees	\$34,000	\$35,000	\$36,000	\$37,000	\$38,000
Educational Service Center Fees	174,000	179,000	184,000	190,000	196,000
Auditor and Treasurer Fees	190,000	206,000	202,000	219,000	216,000
Liability Insurance	14,000	15,000	16,000	17,000	18,000
Miscellaneous Objects	6,000	6,000	6,000	6,000	6,000
Totals	<u>\$418,000</u>	<u>\$441,000</u>	<u>\$444,000</u>	<u>\$469,000</u>	<u>\$474,000</u>

Other object expenditures consist of Board of Election dues, State Audit Fees, County Auditor and Treasurer Fees, liability insurance, and county educational service center cost. Increased costs in Education Service Center Fees are based on historic trends and the most current SF-3 report. The Education Service Center provides speech and hearing therapists, a psychologist, a pre-school disability teacher, a juvenile officer, and an occupational therapist. County Auditor and Treasurer Fees reflect a decrease of \$3,000 in fiscal years 2011 and 2013 due to the School District not paying election costs in those years.

H. - Operating Advances/Transfers Out

The School District anticipates advancing \$30,000 to various grant funds for each year of the forecasted period, and transfers out in the amount of \$60,000 to various special revenue funds for the School District share of the programs.

I. - Other Financing Uses

The School District is forecasting no other financing uses for fiscal years 2009 through 2013. The School District received a repayment of the Wal-Mart personal property tax exemption in fiscal year 2007 and does not anticipate this to occur in the forecasted years.

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 are projected to be \$130,000 for fiscal year 2009. For the remaining forecast period, the School District anticipates encumbrances remaining consistent at \$130,000.

Edison Local School District

Jefferson County

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

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 the future years.

Per House Bill 66, the School District qualified and received a waiver of the textbook and instructional materials set-aside requirement in fiscal year 2007, and both the textbook and instructional materials and capital acquisition set-aside requirements for fiscal year 2008, due to the fiscal watch status. The School District has not requested a waiver of the set aside requirements for fiscal year 2009 and is forecasting expenditures to meet the set aside requirement for all forecasted years.

A. - Textbooks and Instructional Materials Set-Aside

The prior year amounts reported as reserves do not tie to the audit reports due to the set-aside waivers not being taken into account. The fiscal year 2008 audit will reflect these adjustments. The set aside amount required for fiscal year 2009 is \$334,000. The forecast includes qualifying expenditures to satisfy this requirement. The School District's set aside amount is anticipated to decrease by \$7,000 in fiscal year 2010 based on the projected base cost per pupil and projected decrease in enrollment. The School District's set aside requirement is anticipated to decrease \$8,000 in fiscal year 2011, and \$9,000 in fiscal years 2012 and 2013 due primarily to declining enrollment. The School District anticipates qualifying expenditures to equal or exceed the set aside requirements during the forecasted period, and therefore, the School District does not anticipate having a reserve for the remainder of the forecast period.

B. – Capital Acquisition and Improvements Set-Aside

The set aside amount required for fiscal year 2009 is \$334,000. The forecast includes qualifying expenditures and offsets to satisfy this requirement. The School District's set aside amount is anticipated to decrease by \$7,000 in fiscal year 2010 based on the projected base cost per pupil and projected decrease in enrollment. The School District's set aside requirement is anticipated to decrease \$8,000 in fiscal year 2011, and \$9,000 in fiscal years 2012 and 2013 due primarily to declining enrollment. The School District anticipates qualifying expenditures to equal or exceed the set aside requirements during the forecast period, and therefore, the School District does not anticipate having a reserve for the remainder of the forecast period.

C. – Bus Purchases

The School District anticipates receiving \$25,000 in a bus purchase allowance during fiscal year 2009 and \$29,000 per year for fiscal years 2010 through 2013. The School District does not anticipate purchasing buses during the forecasted period, therefore; a reserve for bus purchase is forecasted for each of the forecasted years.

Edison Local School District

Jefferson County

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

Note 10 - Levies

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

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1999	Emergency - Renewal	\$1,049,150	5 Years	Passed
May 2003	Bond Issue	8.79 mills	28 Years	Failed
March 2004	Current Operating	4.0 mills	Continuing	Failed
November 2004	Emergency - Renewal	\$1,049,150	5 Years	Failed
May-05	Emergency - Renewal	\$1,049,150	5 Years	Failed
November 2005	Emergency - Renewal	\$1,049,150	5 Years	Passed
November 2008	Permanent Improvement	2.75 mills	5 Years	Failed

Note 11 – Pending Litigation

The School District currently has no pending litigation.

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.



Mary Taylor, CPA
Auditor of State

EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 2, 2009