



Mary Taylor, CPA
Auditor of State

**Fairborn City School District
Greene County, Ohio**

Fiscal Watch Termination

Local Government Services Section

**FAIRBORN CITY SCHOOL DISTRICT
GREENE COUNTY**

FISCAL WATCH TERMINATION

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 Fairborn City School District Financial Forecast
 for the Fiscal Years Ending June 30, 2008 through June 30, 2012

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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 Fairborn City School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Fairborn City 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 Fairborn City School District's status of Fiscal Watch is hereby terminated as of May 28, 2008.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Tom Swaim, President of the Board of Education of the Fairborn City School District; Gary L. Woodward, Mayor of the City of Fairborn; J. Pari Sabety, Director of Budget and Management; and Dr. Susan Tave Zelman, State Superintendent of Public Instruction.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 28, 2008

**Fairborn City School District
Greene County**

Analysis for Termination of Fiscal Watch

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 eight 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 February 23, 2004, the Department of Education declared the Fairborn City School District to be in a state of fiscal caution based on an anticipated deficit for the fiscal year ending June 30, 2005. On April 29, 2004, the Department of Education notified the Auditor of State that the Fairborn 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.

The Auditor of State declared the Fairborn City School District in fiscal watch on May 25, 2004 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 15, 2003, which included a deficit of \$6,431,000 for the fiscal year ending June 30, 2005.

Guidelines for Release 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.

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.

**Fairborn City School District
Greene County**

Analysis for Termination of Fiscal Watch

The Department of Education will:

- Determine whether the district has met the requirements of its financial recovery plan (including alleviating the conditions that led 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's Office 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 Fairborn City School District Board of Education passed a resolution on June 14, 2007 requesting termination from fiscal watch. This resolution, along with recommendation for release from fiscal watch from the Ohio Department of Education, was forwarded to the Auditor of State on July 23, 2007. Part of the criteria for being released from fiscal watch requires that the School District receive an unqualified opinion on its GAAP financial statements. The School District resumed GAAP reporting for fiscal year 2007, and received an unqualified opinion on the June 30, 2007 financial statements, dated May 27, 2008.

- The primary strategy of the recovery plan dated July 15, 2004, was to increase operating revenues and decrease operating expenditures. Proposals to implement this strategy included the following:
 - a) The reduction of certificated, classified, and administrative staff; and
 - b) The reduction of staffing, maintenance, gas and electric costs through the closing of two buildings; and
 - c) The consideration of local tax options such as an emergency levy.
- Actions taken to achieve the provisions of the plan include the following:
 - a) During fiscal years 2004 and 2005, the School District reduced its certificated staff by 85 people, with a certified staffing level of 306 in fiscal year 2008; classified staff was reduced by 83 in

**Fairborn City School District
Greene County**

Analysis for Termination of Fiscal Watch

- fiscal year during fiscal years 2004 and 2005 with a classified staffing level of 191 in fiscal year 2008;
- b) The Black Lane and Wright Elementary buildings were closed in fiscal year 2005. The Black Lane building was reopened in fiscal year 2006 and is being rented to the Fairborn Digital Academy Community School. The Wright building was reopened in fiscal year 2008 for use as an all-day kindergarten; and
 - c) Voters approved a new five year emergency levy in May, 2007 which will generate \$5,000,000, annually, through 2012.
- The Ohio Department of Education provided the Auditor of State with a letter, dated July 23, 2007, in which ODE stated "...the School District has achieved the objectives of the recovery plan and should be considered for release from fiscal watch."
 - The guidelines require the School District to prepare its financial statements using generally accepted accounting principles and receive an unqualified audit opinion. The School District's General Purpose External Financial Statements for the fiscal year ended June 30, 2007, were released by the Auditor of State on May 27, 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 were reviewed. The compliance and management letters disclosed the following:
 - a) The School District had one citation in the report on compliance. It was a violation of Section 3315.17, Revised Code, for not setting aside the statutorily required amounts for textbooks and instructional materials. The School District used a different method to calculate the textbook and instructional materials balance at year end.
 - b) The management letter that accompanied the 2007 audit included one immaterial compliance issues and a few recommendations. These items would not have a negative impact on the financial recovery or condition of the School District.
 - The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2008 through 2012, to determine if the School District will avoid fiscal watch conditions for the current and ensuing fiscal years. The financial forecast and our report are included in Appendix A. The financial forecast reflects a positive unencumbered/unreserved General Fund balance through fiscal year 2011 and a deficit unencumbered/ unreserved fund balance in 2012. The Board of Education has sufficient time to obtain new revenue or reduce expenditures to avoid the deficit in fiscal year 2012. 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 the fiscal year ended June 30, 2007;
- 2) The compliance letter issued as part of the 2007 audit contained one noncompliance issue. Management has taken steps to insure that the statutorily required amounts are set aside for textbooks and instructional materials. Because management has taken corrective action, we do not believe

**Fairborn City School District
Greene County**

Analysis for Termination of Fiscal Watch

these issues negatively impact the financial recovery or condition of the School District;

- 3) The management letter issued at the completion of the 2007 audit included no material compliance issues and no material recommendations;
- 4) The Auditor of State has examined the School District's financial forecast. The forecast demonstrates that the School District will avoid fiscal watch condition based on the General Fund balances for fiscal years 2008 through 2011; and,
- 5) The Ohio Department of Education has provided a letter dated July 23, 2007, which indicates the School District has achieved the objectives of the recovery plan and should be considered for termination of fiscal watch.

The Fairborn City School District has met the guidelines for termination of fiscal watch; therefore, the fiscal watch status is hereby cancelled as of May 27, 2008.

It is understood that this report's determination is for the use of the School District's Board of Education, the Superintendent of Fairborn City School District, the Director of Budget and Management, the State Superintendent of Public Instruction, 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.

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APPENDIX A

**Fairborn City School District
Greene County, Ohio**

Financial Forecast

For the Fiscal Years Ending June 30, 2008 through June 30, 2012

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**FAIRBORN CITY SCHOOL DISTRICT
GREENE COUNTY**

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Mary Taylor, CPA

Auditor of State

Board of Education
Fairborn City School District
306 East Whittier Ave.
Fairborn, Ohio 45324

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 Fairborn City School District for the fiscal years ending June 30, 2008 through June 30, 2012. The Fairborn 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 management'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 Fairborn City School District for the fiscal years ended June 30, 2005, 2006 and 2007 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

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

Mary Taylor, CPA
Auditor of State

March 13, 2008

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Fairborn City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2005 Through 2007 Actual; and
For the Fiscal Years Ending June 30, 2008 Through 2012 Forecasted
General Fund

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Forecasted
Revenues:				
General Property Taxes	\$10,529,000	\$11,232,000	\$11,575,000	\$13,882,000
Tangible Personal Property Taxes	1,688,000	1,633,000	1,150,000	691,000
Income Tax	2,652,000	2,807,000	3,103,000	3,555,000
Unrestricted Grants-in-Aid	18,034,000	17,863,000	17,702,000	17,700,000
Restricted Grants-in-Aid	202,000	191,000	339,000	340,000
Unrestricted Federal Grants-in-Aid	1,468,000	924,000	1,185,000	845,000
Property Tax Allocation	1,509,000	1,441,000	1,786,000	2,408,000
All Other Revenues	891,000	1,141,000	943,000	880,000
Total Revenues	36,973,000	37,232,000	37,783,000	40,301,000
Other Financing Sources:				
Advances In	2,000	43,000	52,000	56,000
All Other Financing Sources	131,000	106,000	71,000	29,000
Total Other Financing Sources	133,000	149,000	123,000	85,000
Total Revenues and Other Financing Sources	37,106,000	37,381,000	37,906,000	40,386,000
Expenditures:				
Personal Services	21,358,000	21,864,000	22,301,000	22,936,000
Employees' Retirement/Insurance Benefits	7,732,000	7,325,000	7,637,000	7,626,000
Purchased Services	4,173,000	4,993,000	5,543,000	5,618,000
Supplies and Materials	602,000	1,122,000	1,393,000	1,539,000
Capital Outlay	163,000	488,000	876,000	907,000
Debt Service:				
Principal-Energy Conservation Bonds	125,000	130,000	135,000	140,000
Principal-Energy Conservation Loans	156,000	156,000	39,000	0
Principal-Bus Bonds	100,000	105,000	110,000	115,000
Interest and Fiscal Charges	95,000	78,000	38,000	54,000
Other Objects	523,000	555,000	529,000	567,000
Total Expenditures	35,027,000	36,816,000	38,601,000	39,502,000
Other Financing Uses:				
Transfers Out	522,000	515,000	605,000	675,000
Advances Out	43,000	52,000	56,000	56,000
Total Other Financing Uses	565,000	567,000	661,000	731,000
Total Expenditures and Other Financing Uses	35,592,000	37,383,000	39,262,000	40,233,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,514,000	(2,000)	(1,356,000)	153,000
Cash Balance July 1	1,625,000	3,139,000	3,137,000	1,781,000
Cash Balance June 30	3,139,000	3,137,000	1,781,000	1,934,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	556,000	840,000	854,000	750,000
Reserve for:				
Textbooks and Instructional Materials	81,000	52,000	56,000	457,000
DPIA/PBA	80,000	19,000	5,000	14,000
Total Encumbrances and Reserves	717,000	911,000	915,000	1,221,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	\$2,422,000	\$2,226,000	\$866,000	\$713,000

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

Fiscal Year 2009 Forecasted	Fiscal Year 2010 Forecasted	Fiscal Year 2011 Forecasted	Fiscal Year 2012 Forecasted
\$16,441,000	\$17,173,000	\$17,312,000	\$17,943,000
496,000	92,000	43,000	0
3,433,000	3,604,000	3,785,000	3,975,000
17,707,000	17,716,000	17,725,000	17,735,000
340,000	340,000	340,000	340,000
795,000	745,000	695,000	645,000
3,083,000	3,546,000	3,527,000	3,293,000
874,000	909,000	858,000	736,000
<u>43,169,000</u>	<u>44,125,000</u>	<u>44,285,000</u>	<u>44,667,000</u>
56,000	56,000	56,000	56,000
29,000	29,000	29,000	29,000
<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>
<u>43,254,000</u>	<u>44,210,000</u>	<u>44,370,000</u>	<u>44,752,000</u>
23,875,000	24,822,000	25,841,000	26,722,000
8,343,000	8,952,000	9,571,000	10,241,000
5,704,000	5,921,000	6,369,000	6,874,000
1,543,000	1,565,000	1,587,000	1,611,000
557,000	572,000	587,000	603,000
145,000	150,000	155,000	165,000
0	0	0	0
120,000	0	0	0
40,000	34,000	27,000	20,000
590,000	613,000	638,000	663,000
<u>40,917,000</u>	<u>42,629,000</u>	<u>44,775,000</u>	<u>46,899,000</u>
660,000	691,000	768,000	815,000
56,000	56,000	56,000	56,000
<u>716,000</u>	<u>747,000</u>	<u>824,000</u>	<u>871,000</u>
<u>41,633,000</u>	<u>43,376,000</u>	<u>45,599,000</u>	<u>47,770,000</u>
1,621,000	834,000	(1,229,000)	(3,018,000)
1,934,000	3,555,000	4,389,000	3,160,000
<u>3,555,000</u>	<u>4,389,000</u>	<u>3,160,000</u>	<u>142,000</u>
750,000	750,000	750,000	750,000
444,000	445,000	461,000	490,000
19,000	23,000	28,000	32,000
<u>1,213,000</u>	<u>1,218,000</u>	<u>1,239,000</u>	<u>1,272,000</u>
<u>\$2,342,000</u>	<u>\$3,171,000</u>	<u>\$1,921,000</u>	<u>(\$1,130,000)</u>

**Fairborn City School District
Greene County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Note 1 - The School District

Fairborn City School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected board consisting of five members elected at-large for staggered four year terms.

The School District is located in Greene County and encompasses all of the City of Fairborn, Bath Township, Wright Patterson Air Force Base, Wright State University, and portions of Mad River Township in Clark County and the City of Dayton in Montgomery County. The legislative power of the School District is vested in the Board of Education. The School District is staffed by 191 classified employees and 306 certificated full-time personnel who provide services to 4,543 students and other community members. The School District currently operates four public schools, including one high school, two middle/intermediate schools and one elementary school.

Note 2 - Nature of the Forecast

The financial forecast presents, to the best of the Fairborn City School District Board of Education's knowledge and belief, the expected revenues, expenditures, and operating balance of the General Fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of March 13, 2008, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the General Fund. Under State law, certain General Fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require General Fund resources pledged for the repayment of debt be recorded directly in the Debt Service Fund. For presentation in the forecast, the Poverty Based Assistance Fund, Disadvantaged Pupil Impact Aid (DPIA) Fund and General Fund supported debt are included in the General Fund.

Note 4 - Summary of Significant Accounting Policies

A. Basis of Accounting

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

**Fairborn City School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

B. Fund Accounting

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

Debt Service Fund - Debt service funds are used to 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 are used to 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 are used to 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 are used to 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 governmental 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 appropriations resolution, all of which are prepared on the

**Fairborn City School District
Greene County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the fiscal 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 Greene 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, the certificate of estimated resources is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budgetary information 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 resolution.

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 Fairborn City School District will continue to operate its instructional programs in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in business which is located within the School District. Property taxes are collected for, and distributed to, the School District by the Greene County Auditor and Treasurer. Final settlement dates on which collections are distributed to the School District are set by State Statute. The School District may request advances from the Greene 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.

**Fairborn City School District
Greene County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

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

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. This 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 2008 through 2012.

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

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation	n/a	n/a	\$4.60
Continuing Operating	1976	n/a	25.40
Continuing Operating	1981	n/a	5.90
Continuing Operating	1985	n/a	5.90
Emergency Levy (\$5,000,000)	2007	2012	8.20
Total Tax Rate			\$50.00

The School District also has a bond retirement levy totaling \$2.50 per \$1,000 of assessed valuation. The School District's total property tax rate is \$52.50 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal property 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. The effective residential and agricultural real property tax rate is \$28.20 per \$1,000 of assessed valuation and effective commercial and industrial and public utility real property tax rate is \$29.81 per \$1,000 of assessed valuation for General Fund

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levies. Because the School District's General Fund millage, excluding the emergency levy, for residential and agricultural real property is at the 20 mill floor, the General Fund property tax revenue from residential and agricultural real estate tax 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 phased out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - The estimated general property tax revenue is based upon tax rates and projected assessed values. The School District anticipates a small increase in real estate taxes each fiscal year because of new construction. In fiscal years 2008 and 2009, there is an increase due to the collection of the new \$5,000,000 emergency levy. Also, in fiscal year 2009, there is an increase due to the reappraisal of property values and in fiscal year 2012 there is an increase due to a triennial update in property values.

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 calendar year 2006, House Bill 66 phases 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 calendar year 2005 tangible personal property tax collections, will lose approximately \$1,500,000 when the tangible personal property tax is completely phased out in 2009. These changes do not affect tangible personal property of public utilities. 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 2008 through 2012 is a result of the tax changes above.

B. Income Tax

In 1989, voters approved a one-half percent income tax that became effective on January 1, 1990. The tax is levied on the income of the residents of the Fairborn City School District. In fiscal year 2007, income taxes increased over ten percent due to the development of two new subdivisions. In fiscal year 2008, the School District received a one-time payment of over \$300,000 for the collection of delinquencies which resulted in

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another large increase. For fiscal years 2009 through 2012, income taxes are projected to increase at a steady rate based on historical increases, a stable workforce, and low unemployment rates.

C. Unrestricted 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 and transportation. Other programs such as parity aid and transitional aid guarantee, 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 fiscal 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. For fiscal years 2008 and 2009, State Legislature has increased per pupil funding by 3.0 percent each fiscal year and the School District anticipates a 2.0 percent increase for fiscal years 2010 to 2012. The per pupil foundation levels for fiscal years 2005 to 2009 is as follows:

Fiscal Year	Per Pupil Foundation Level
2005	5,169
2006	5,283
2007	5,403
2008	5,565
2009	5,732

The anticipated unrestricted grants-in-aid for fiscal year 2008 are based on current estimates available from the Ohio Department of Education. The anticipated State Foundation amounts for fiscal years 2008 through 2012 are as follows:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Formula Aid	\$10,579,000	\$10,282,000	\$9,757,000	\$9,808,000	\$9,846,000
Categorical Funding	1,689,000	1,688,000	1,687,000	1,686,000	1,685,000
Transportation	1,043,000	1,054,000	1,054,000	1,054,000	1,054,000
Parity Aid	935,000	918,000	901,000	885,000	868,000
Transitional Aid Guarantee	3,466,000	3,777,000	4,329,000	4,304,000	4,294,000
Foundation Adjustments	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Totals	\$17,700,000	\$17,707,000	\$17,716,000	\$17,725,000	\$17,735,000

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There was a large decrease in formula aid in fiscal year 2005 due to a decrease in ADM of approximately 400 students that was caused by structural changes at Wright Patterson Air Force Base. For fiscal years 2006 and 2007, the School District saw an average loss of 100 students each fiscal year. Formula aid is anticipated to decrease in fiscal years 2008 through 2010 due to decreasing ADM of approximately 85 students per year and increases in recognized valuation. For fiscal years 2011 and 2012, slight increases are forecasted due to increasing per pupil funding and add-on building blocks offset by decreasing ADM. No significant increases in assessed valuations are anticipated in fiscal years 2011 and 2012.

Categorical funding and transportation are forecasted to remain approximately the same over the forecast period.

Parity aid is forecasted to decrease each fiscal year based on decreasing ADM.

Transitional aid guarantee is anticipated in fiscal years 2008 through 2012. The transitional aid guarantees the School District will receive at least the same amount of base formula aid as the prior fiscal year.

D. Restricted Grants-in-Aid

Restricted grants-in-aid consist of career tech monies and Poverty Based Assistance. For the forecast period, restricted grants-in-aid are anticipated to remain consistent.

E. Unrestricted Federal Grants-in-Aid

Unrestricted federal grants-in-aid consist of Impact Aid from the United States Department of Education, the United States Department of Defense, and reimbursements from the United States Air Force for two Reserve Officer Training Corp (ROTC) teachers in the School District. In fiscal year 2007, unrestricted federal grants-in-aid included a one-time payment of \$232,000 from the Department of Defense. This payment was received to offset the decrease in enrollment and financial assistance that was caused by structural changes at Wright Patterson Air Force Base. Unrestricted Federal grants-in-aid are anticipated to decrease each fiscal year due to declining enrollment. These decreases are offset slightly by increases in ROTC reimbursements for increases in the teachers' salaries.

F. Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback credit on commercial and industrial real property and the corresponding reimbursement to local governments. Homestead and rollback revenue for fiscal years 2008 through 2012 is expected to increase as real property taxes continue to increase.

Beginning in tax collection year 2008, the State granted an additional homestead exemption to senior citizens for the first \$25,000 in market value. This new exemption will increase property tax allocation receipts and decrease general property tax receipts by an equal amount. No increase or decrease has been included in general property taxes because the amount cannot yet be determined.

The State exempted the first \$10,000 in taxable value of tangible personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State was phasing out

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the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be received 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 being phased out starting in 2007 and ending in 2016. Based on information provided by the Ohio Department of Education, the School District anticipates public utility deregulation reimbursements to be consistent in fiscal years 2008-2012.

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. This reimbursement is forecasted to increase in fiscal years 2009 and 2010 and then decrease in fiscal years 2011 and 2012 as the phase-out begins.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Homestead and Rollback	\$1,335,000	\$1,664,000	\$1,741,000	\$1,752,000	\$1,813,000
Tangible Personal Property Exemption	29,000	23,000	0	0	0
Utility Deregulation	146,000	146,000	146,000	146,000	146,000
Tangible Personal Property Loss Reimbursement	898,000	1,250,000	1,659,000	1,629,000	1,334,000
Totals	<u>\$2,408,000</u>	<u>\$3,083,000</u>	<u>\$3,546,000</u>	<u>\$3,527,000</u>	<u>\$3,293,000</u>

G. All Other Revenues

All other revenues include tuition, transportation fees, interest on investments, athletic fees, rent, and other receipts.

The School District receives summer school tuition directly from students in June of each year. Tuition rates are set each fiscal year based on anticipated costs. In fiscal years 2008 through 2012 tuition is forecasted to remain consistent based on the average tuition collected in 2005 through 2007.

Preschool tuition rates are collected at a set rate per month per student. In fiscal year 2007, a new preschool class was added increasing the number of students from 39 to 45. For fiscal year 2008, there were 47 students and this was forecasted to remain consistent throughout the forecast period.

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The School District receives tuition for traditional and special education students from other districts who attend the Fairborn City School District. Tuition for traditional students is forecasted to decrease in fiscal year 2008 because a family of five students moved to another school district. For fiscal years 2009 through 2012, tuition for traditional students is forecasted to increase approximately three percent each year based on an average three percent increase in the School District's tuition rate. The School District began billing for special education tuition in fiscal year 2007. Payments to the School District are made twice a year and due to timing, the second half 2007 payment was not received until the following fiscal year. For fiscal year 2008, the School District is forecasting to receive the second half 2007 payment of \$22,000 and both first and second half 2008 payments. For 2009, the School District is expecting three new special education students resulting in a \$14,000 increase in tuition. In fiscal years 2010 through 2012, an increase of approximately three percent is forecasted each year based on the School District's average tuition rate increase.

Transportation from other districts is being collected in fiscal year 2008 for transporting students to and from the Fairborn Digital Academy, a component unit of the School District. This is a pilot program and is not anticipated to continue in future fiscal years.

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 is forecasted to decrease in fiscal year 2008, increase again through fiscal year 2010, and then decrease again through 2012 based on the anticipated changes in fund balances.

Rental revenue is mainly from charges to the Fairborn Digital Academy at a rate of \$1,000 per month. The academy was over-billed in fiscal year 2006 and their rent was suspended until October 2007. Therefore, in fiscal year 2008, the Academy is expected to pay \$9,000 in rent and another \$4,000 is expected to be collected from miscellaneous rentals. For fiscal years 2009 through 2012, rental revenue is expected to remain consistent.

Donations are forecasted to remain consistent based on the amounts received in fiscal year 2007.

Fines and fees consist of field trip bus fees, bus rental fees, club fees, athletic fees, and textbook fines. Athletic fees were on the decline from fiscal year 2005 through fiscal year 2008 because the School District reduced the fees per student. For fiscal years 2008 through 2012, these fees are expected to remain consistent at \$55,000 per year. Field trip bus fees, bus rental fees, club fees, other fees, and textbook fines are forecasted to remain consistent based on the amounts received in fiscal year 2007.

Enterprise zone income tax is collected from businesses on Dayton-Yellow Springs Road with payroll exceeding one million dollars. The School District does not expect any new businesses to move into the enterprise zone and an average of the last three years was forecasted.

Other revenue consists mainly of Bureau of Workers' Compensation refunds, e-rate monies, and administration fees to parochial schools in the School District. In fiscal year 2006, other revenue included a large refund for a severity incentive program from the Bureau of Workers' Compensation. For the forecast period, other revenue is expected to remain consistent based on the average received in fiscal years 2005 and 2007.

In fiscal year 2008, the Fairborn Digital Academy provided a one time payment of \$100,000 to the School District as a goodwill gesture for providing sponsorship of their programs. This payment is neither required nor anticipated in future fiscal years.

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All other revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Summer School Tuition	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Preschool Tuition	35,000	35,000	35,000	35,000	35,000
Traditional Tuition	130,000	134,000	138,000	142,000	146,000
Special Education Tuition	72,000	64,000	66,000	68,000	70,000
Transportation from Other Districts	6,000	0	0	0	0
Interest	292,000	393,000	422,000	365,000	237,000
Rentals	13,000	16,000	16,000	16,000	16,000
Donations	1,000	1,000	1,000	1,000	1,000
Fines and Fees	81,000	81,000	81,000	81,000	81,000
Enterprise Zone Income Tax	36,000	36,000	36,000	36,000	36,000
Other Revenue	100,000	100,000	100,000	100,000	100,000
Digital Academy Payment	100,000	0	0	0	0
Totals	\$880,000	\$874,000	\$909,000	\$858,000	\$736,000

H. Other Financing Sources

Other financing sources include advances, sale of assets, and refunds of prior year expenditures.

Advances are made primarily from Federal grant funds. At the end of each fiscal year, advances are made to cover deficit fund balances and are repaid in the following fiscal year. Deficits in these funds are due to the timing of receipts. In fiscal year 2007, \$55,500 was advanced out of the General Fund and advanced back in fiscal year 2008. This amount was forecasted to remain consistent throughout the forecast period.

Sale of assets represents receipts from annual auctions held by the School District. No auction was held in fiscal year 2006; however, the School District anticipates an auction each fiscal year throughout the forecast period with an average \$3,000 received.

Refunds of prior year expenditures consist of refunds from the Greene County Educational Service Center (ESC), findings for recovery, and miscellaneous refunds. In fiscal years 2005 and 2006, refunds of prior year expenditures included the receipt of non-recurring refunds from Anthem Blue Cross / Blue Shield. The School District pays the ESC for an alternative program that allows students who are unsuccessful in a typical classroom to continue their education. The ESC estimates the cost of this program at the beginning of each fiscal year and bills the School District accordingly. In July, the ESC refunds the School District for what was paid in the prior fiscal year in excess of the actual cost. In fiscal years 2005 through 2007, the School District received an average refund of \$30,000. However, in fiscal year 2008, the School District owed money to the ESC. Because these refunds are unpredictable, zero was forecasted throughout the forecast period. The School District began receiving findings for recovery in fiscal year 2007 from the previous Treasurer. These findings for recovery, along with miscellaneous refunds, are forecasted to be consistent throughout the forecast period at \$26,000 each year.

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Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal services expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, student workers and board members. In addition to regular salaries, it includes payments for supplemental contracts, substitutes and overtime. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by the Board of Education. A comparison of staffing levels by fiscal year is presented below:

	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010 - 2012
General Fund:						
Certified	318	315	311	306	309	310
Classified	165	165	173	191	194	195
Total General Fund	<u>483</u>	<u>480</u>	<u>484</u>	<u>497</u>	<u>503</u>	<u>505</u>
Other Funds:						
Certified	24	24	22	30	27	27
Classified	60	60	62	59	59	59
Total Other Funds	<u>84</u>	<u>84</u>	<u>84</u>	<u>89</u>	<u>86</u>	<u>86</u>
Totals	<u><u>567</u></u>	<u><u>564</u></u>	<u><u>568</u></u>	<u><u>586</u></u>	<u><u>589</u></u>	<u><u>591</u></u>

The School District anticipates both certified and classified staff levels to increase in fiscal year 2009 and 2010 due to the loss of Individuals with Disabilities Education Act Part B funding. When this funding decreases, payment for teacher and aide salaries in this program will be made from the General Fund. The School District anticipates staff levels in fiscal years 2011 and 2012 to remain the same as 2010.

Certified (teaching) 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, and allows for a two percent increase in the base salary each fiscal year as well as annual step increases. The contract for classified staff covers the period beginning July 1, 2006 through June 30, 2009. The contract allows for a two percent increase in the base salary each fiscal year as well as annual step increases.

The School District has assumed base salary increases of two percent and annual step increases for fiscal years 2011 and 2012 for certified employees and base salary increases of two percent and annual step increases for fiscal years 2010 to 2012 for classified employees. Step increases are different for both certified and classified employees. Certified employees receive the same dollar amount, \$1,787, each year for step increases. Classified employees do not receive a set dollar amount, rather their step increases are solely based on a grid system with varying step increase amounts depending on years of service. The agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving base salary increases for fiscal years 2010, 2011 and 2012 is unknown and the realization of the forecast is particularly sensitive to any increases in the salaries. Should the School District agree to an additional one percent increase, it would increase certified salaries approximately \$196,000 and increase classified salaries approximately \$46,000 and decrease the fund balance by \$242,000 each fiscal year. The cumulative effect of the increases would increase salaries approximately \$530,000 during the forecast period and decrease the fund balance by the same amount for the fiscal year ending 2012.

The School District anticipates the cost for substitutes and supplemental contracts to increase slightly by increases in negotiated contracts for each fiscal year of the forecast period.

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Presented below is a comparison of salaries and wages for fiscal years 2008 through 2012.

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Certified Salaries	\$17,303,000	\$18,011,000	\$18,769,000	\$19,620,000	\$20,333,000
Classified Salaries	4,245,000	4,419,000	4,578,000	4,714,000	4,850,000
Substitute Salaries	832,000	866,000	883,000	901,000	919,000
Supplemental Contracts	439,000	457,000	468,000	479,000	491,000
Classified Overtime	117,000	122,000	124,000	127,000	129,000
Totals	<u>\$22,936,000</u>	<u>\$23,875,000</u>	<u>\$24,822,000</u>	<u>\$25,841,000</u>	<u>\$26,722,000</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 School District's contribution rate of 14 percent of the salaries for STRS and SERS members. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. In addition to the employer's retirement contributions, the School District pays the employees' retirement contributions for the superintendent, three central office administrators, the high school principal, and the treasurer. The School District also pays half of the employees' retirement contributions for the remainder of the administrators. For the forecast period, the School District estimates retirement costs will increase consistent with the anticipated increase in salaries.

Medicare benefits are based on the School District's rate of 1.45 percent of the payroll costs for contributing staff. Medicare is anticipated to increase each fiscal year as salaries increase.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May, as in prior years. The School District does not anticipate any changes to the workers' compensation premium throughout the forecast period.

The School District offers medical, dental, and life insurance. For fiscal year 2008, premiums are forecasted based on a monthly average for premium charged to the General Fund for the first half of the fiscal year. In fiscal years 2009 through 2012, the School District anticipates an increase in medical insurance premiums of about 10 percent each fiscal year, a 10 percent increase in dental insurance premiums, and a 1.5 percent increase in life insurance premiums each fiscal year.

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Presented below is a comparison of employees' retirement and insurance benefits for fiscal years 2008 through 2012.

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Employer's Retirement	\$3,231,000	\$3,534,000	\$3,698,000	\$3,829,000	\$3,967,000
Medical, Dental, and Life Insurance	3,700,000	4,048,000	4,451,000	4,893,000	5,379,000
Workers' Compensation	272,000	298,000	327,000	359,000	392,000
Medicare	304,000	333,000	346,000	360,000	373,000
Unemployment	6,000	6,000	6,000	6,000	6,000
Tuition Reimbursement	112,000	123,000	123,000	123,000	123,000
Other Salaries and Wages	1,000	1,000	1,000	1,000	1,000
Totals	\$7,626,000	\$8,343,000	\$8,952,000	\$9,571,000	\$10,241,000

C. Purchased Services

Presented below is a comparison of forecasted purchased services expenditures for fiscal years 2008 through 2012:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Professional and Technical Services	\$525,000	\$454,000	\$518,000	\$508,000	\$549,000
Property Services	408,000	429,000	431,000	456,000	481,000
Travel and Meeting Expenses	123,000	127,000	131,000	142,000	153,000
Communication Costs	147,000	151,000	155,000	169,000	182,000
Utility Services	1,115,000	1,163,000	1,207,000	1,320,000	1,437,000
Trade Services	58,000	61,000	63,000	68,000	73,000
Tuition Payments	3,155,000	3,254,000	3,351,000	3,637,000	3,926,000
Pupil Transportation	16,000	16,000	16,000	17,000	17,000
Other Purchased Services	71,000	49,000	49,000	52,000	56,000
Totals	\$5,618,000	\$5,704,000	\$5,921,000	\$6,369,000	\$6,874,000

Professional and technical services are forecasted to decrease during fiscal year 2009 due to \$122,000 expended in fiscal year 2008 on speech services and recruitment of speech therapists. Property services are forecasted to increase as a result of increases in property insurance premiums and fuel surcharges for garbage service. Utility services are forecasted to increase throughout the forecast period due to increases in the cost of electricity, natural gas, and water. Tuition payments are forecasted to increase each fiscal year due to the increases in community school payments and special education tuition costs.

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D. Supplies and Materials

Presented below is a comparison of forecasted supplies and materials expenditures for fiscal years 2008 through 2012:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Instructional Supplies	\$351,000	\$350,000	\$355,000	\$361,000	\$366,000
Textbooks	394,000	395,000	401,000	406,000	412,000
Library Books	34,000	33,000	32,000	32,000	31,000
Periodical, Newspaper, Film & Filmstrips	1,000	1,000	1,000	1,000	1,000
General Operation Repairs	366,000	368,000	374,000	379,000	386,000
Transportation Repairs	370,000	372,000	378,000	384,000	390,000
Other Materials & Supplies	23,000	24,000	24,000	24,000	25,000
Totals	<u>\$1,539,000</u>	<u>\$1,543,000</u>	<u>\$1,565,000</u>	<u>\$1,587,000</u>	<u>\$1,611,000</u>

Expenditures for supplies and materials are forecasted to increase of 3 percent due to inflation.

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. Expenditures were higher in fiscal year 2008 because the School District had several buses that were ordered in fiscal year 2007 and paid for in fiscal year 2008. The School District plans on purchasing two new buses each fiscal year throughout the forecasted period. New equipment purchases are projected to be consistent with amounts spent in previous fiscal years. Therefore, the forecast reflects a three year historical average combined with a 3 percent increase for inflation each fiscal year.

F. Debt Service

General Fund supported debt consists of the following:

Issue	Issue Date	Maturity Date	Issue Amount	Interest Rate
Energy Conservation Notes	February, 2002	February, 2014	\$1,705,000	4.60%
School Bus Acquisition Bonds	December, 1998	December, 2008	\$1,000,000	3.45-4.3%

**Fairborn City School District
Greene County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Principal and interest payments for General Fund supported debt are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$255,000	\$54,000	\$309,000
2009	265,000	40,000	305,000
2010	150,000	34,000	184,000
2011	155,000	27,000	182,000
2012	165,000	20,000	185,000
Total	<u>\$990,000</u>	<u>\$175,000</u>	<u>\$1,165,000</u>

G. Other Objects

Other objects expenditures consist of dues and fees and insurance. Fiscal year 2008 is expected to increase seven percent, due to election expenses from levies placed on the ballot. Fiscal years 2009 through 2012 are expected to increase four percent annually due to property tax collection fees and inflation.

H. Operating Transfers and Advances

The School District anticipates transfers out to the Education Management Information System (EMIS) Fund and the Termination Benefits Fund in 2008 in the amounts of \$55,000 and \$600,000, respectively. Transfers to the EMIS fund are expected to increase slightly and transfers to the Termination Benefits Fund are projected to increase by \$50,000 for each fiscal year.

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 forecasted to remain at \$750,000 for fiscal years 2008 through 2012.

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 or construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

**Fairborn City School District
Greene County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

A. Textbooks and Instructional Materials

The School District's set-aside requirement is anticipated to range from \$673,000 in fiscal year 2008 to \$730,000 in fiscal year 2012. A carryover balance of \$484,000 existed from fiscal year 2007. The School District anticipates qualifying expenditures each fiscal year of approximately \$700,000. A reserve for textbooks and instructional materials is reported each fiscal year for the anticipated unexpended balance.

B. Capital and Maintenance Set-Aside

The School District's set-aside requirement is anticipated to range from \$673,000 in fiscal year 2008 to \$730,000 in fiscal year 2012. There was no carryover balance from fiscal year 2007. The School District anticipates offsets each fiscal year that exceed the annual set aside requirement during all the forecasted years. Therefore, no reserve for capital and maintenance is forecasted. The forecasted qualifying offsets include estimated property tax revenues for the payment of school improvement bonds.

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

The School District anticipates receiving \$305,000 in restricted Poverty Based Assistance monies during fiscal year 2008. The School District anticipates spending \$296,000 of the Poverty Based Assistance funding during the current fiscal year leaving a reserve balance of \$14,000. The School District anticipates having an unspent balance of \$19,000 to \$32,000 in Poverty Based Assistance each fiscal year for fiscal years 2009 through 2012.

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, 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	Bond Retirement	2.50 mills	27 Years	Passed
March, 2004	Emergency	\$5,600,000	5 Years	Failed
August, 2004	Emergency	\$6,965,000	4 Years	Failed
November, 2004	Emergency	\$6,900,000	4 Years	Failed
May, 2007	Emergency	\$5,000,000	5 Years	Passed

Note 11 - Pending Litigation

There are currently no matters in litigation with the School District as defendant.

**Fairborn City School District
Greene County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2008 through 2012

Note 12 – Termination Benefits

The School District has established a Termination Benefits Fund as authorized by Ohio Revised Code section 5705.13(B), for accumulating resources for and making severance payments to employees upon separation from the School District. Each year, the School District transfers monies from the General fund to the Termination Benefits fund. Transfers to this fund in 2008 are expected to be \$600,000, with projected increases of \$50,000 each fiscal year. See Note 7-H for more information on these transfers.

Classified employees may accumulate a maximum of 243 total sick days and certified employees may accumulate a maximum of 252 days. Upon retirement, payment is made to classified and certified employees for one third of their accrued leave, to a maximum of 81 days paid for classified and 84 days paid for certified employees. These payments are made from the Termination Benefits Fund.

Note 13 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. With the exception of the EMIS Fund, these funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. The EMIS Fund relies on a subsidy from the General Fund, in addition to monies received from State grants, to meet its obligations. This subsidy is reported as transfers out, and has been addressed in Note 7-H.



Mary Taylor, CPA
Auditor of State

FAIRBORN CITY SCHOOL DISTRICT

GREENE 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
MAY 28, 2008**