



Mary Taylor, CPA  
Auditor of State

**Sebring Local School District  
Mahoning County, Ohio**

**Fiscal Watch Termination**

**Local Government Services Section**



**SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**FISCAL WATCH TERMINATION**

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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 Sebring Local School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Sebring 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 Sebring Local School District's status of Fiscal Watch is hereby terminated as of April 18, 2008.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Todd Jones, President of the Board of Education of the Sebring Local School District; 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

April 18, 2008

**Sebring Local School District  
Mahoning County**

**Analysis for Termination of Fiscal Watch**

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**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 October 31, 2003, the Department of Education declared the Sebring Local School District to be in a state of Fiscal Caution based on an anticipated deficit for fiscal years 2004 and 2005. The Department of Education notified the Auditor of State that Sebring 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.

According to the provisions of Section 3316.03(A)(3), the Auditor of State declared the Sebring Local School District in Fiscal Watch on February 9, 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 10, 2003, which included deficits of \$246,000 and \$875,000 for fiscal years 2004 and 2005, 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.

**Sebring Local School District  
Mahoning County**

**Analysis for Termination of Fiscal Watch**

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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 Sebring Local School District Board of Education passed a resolution on April 18, 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 June 13, 2007. The analysis for termination of fiscal watch began after the completion and filing of the five-year forecast in October 2007.

- The primary strategy of the recovery plan dated March 23, 2004, was to increase operating revenues, decrease operating expenditures, or a combination of the two. Proposals to achieve this strategy included the following:
  - 1) The Board of Education will review the Performance Audit by the State Auditor and attempt to implement some of the recommendations;
  - 2) The elimination of classified and certified positions through attrition or a reduction in force;
  - 3) The Board of Education will place a levy on the November 2004 ballot; and

**Sebring Local School District  
Mahoning County**

**Analysis for Termination of Fiscal Watch**

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- 4) The Board of Education will examine the possibility of forming a “Financial Task Force” as a means for community review of all expenditures and soliciting input on the value of current educational programs.

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

- 1) Reduced personnel cost through the elimination of two classified positions along with reductions in hours for both certified and classified positions during fiscal year 2005 for a savings of approximately \$257,000 annually;
  - 2) Passed a five year, one percent income tax levy on November 7, 2006; and
  - 3) Implemented recommendations from the performance audit performed by the Auditor of State such as eliminating one educational service personnel position.
- The Ohio Department of Education provided the Auditor of State with a letter, dated June 13, 2007, in which ODE stated “. . .the 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 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, 2005, was released by the Auditor of State on May 30, 2006, 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 2005 were reviewed. The compliance and management letters disclosed the following:
    - 1) The School District had no citations in the report on compliance.
    - 2) The Board of Education receives a management letter at the conclusion of each bi-annual audit. The letter that accompanied the 2005 audit included no compliance issues and two immaterial recommendations. Management has implemented changes as a result of the recommendation
  - 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 thereon are included in Appendix A. The financial forecast reflects a positive unencumbered/unreserved general fund balance through fiscal year 2012. Our report on the financial forecast includes an unqualified opinion.



**Sebring Local School District  
Mahoning County**

**Analysis for Termination of Fiscal Watch**

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**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, 2005 and has filed financial statements for fiscal year 2006 and 2007 on October 16, 2006 and November 1, 2007 with the Auditor of State which were prepared on a generally accepted accounting principles basis.
- 2) The compliance letter issued as part of the 2005 audit contained no issues;
- 3) The management letter issued at the completion of the 2005 audit included no citations 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 a fiscal watch condition based on the general fund balances for fiscal years 2008 through 2012; and,
- 5) The Ohio Department of Education has provided a letter dated June 13, 2007, which indicates the School District has achieved the objectives of the recovery plan and should be considered for termination of fiscal watch.

The Sebring Local School District has met the guidelines for termination of fiscal watch; therefore, the fiscal watch status is hereby cancelled as of April 18, 2008.

It is understood that this report's determination is for the use of the School District's Board of Education, the Superintendent of Sebring Local 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**

**Sebring Local School District**  
Mahoning County, Ohio

**Financial Forecast**

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

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**Sebring Local School District – Mahoning County**

**Fiscal Watch Termination**

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# Mary Taylor, CPA

## Auditor of State

Board of Education  
Sebring Local School District  
510 North 14<sup>th</sup> Street  
Sebring, Ohio 44672

### 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 Sebring Local School District for the fiscal years ending June 30, 2008 through June 30, 2012. The Sebring 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 Sebring Local 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

February 6, 2008

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**Sebring Local School District**  
Mahoning County  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Years Ended June 30, 2005 Through 2007 Actual;  
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
<b>Revenues</b>				
General Property Tax	\$977,000	\$1,024,000	\$1,075,000	\$1,104,000
Tangible Personal Property Tax	449,000	243,000	221,000	191,000
Income Tax	0	0	21,000	270,000
Unrestricted Grants-in-Aid	3,870,000	3,872,000	3,898,000	3,944,000
Restricted Grants-in-Aid	45,000	54,000	54,000	19,000
Property Tax Allocation	158,000	166,000	252,000	346,000
All Other Revenues	300,000	330,000	458,000	480,000
<i>Total Revenues</i>	<u>5,799,000</u>	<u>5,689,000</u>	<u>5,979,000</u>	<u>6,354,000</u>
<b>Other Financing Sources</b>				
Advances In	0	0	0	13,000
<i>Total Revenues and Other Financing Sources</i>	<u>5,799,000</u>	<u>5,689,000</u>	<u>5,979,000</u>	<u>6,367,000</u>
<b>Expenditures</b>				
Personal Services	3,245,000	3,084,000	3,033,000	3,293,000
Employees' Retirement/Insurance Benefits	1,338,000	1,290,000	1,310,000	1,374,000
Purchased Services	1,095,000	1,177,000	1,252,000	1,262,000
Supplies and Materials	145,000	148,000	165,000	146,000
Capital Outlay	0	0	0	71,000
Other Objects	81,000	74,000	45,000	66,000
<i>Total Expenditures</i>	<u>5,904,000</u>	<u>5,773,000</u>	<u>5,805,000</u>	<u>6,212,000</u>
<b>Other Financing Uses</b>				
Transfers Out	35,000	0	20,000	25,000
Advances Out	0	0	13,000	8,000
<i>Total Other Financing Uses</i>	<u>35,000</u>	<u>0</u>	<u>33,000</u>	<u>33,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>5,939,000</u>	<u>5,773,000</u>	<u>5,838,000</u>	<u>6,245,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(140,000)	(84,000)	141,000	122,000
Cash Balance July 1	360,000	220,000	136,000	277,000
Cash Balance June 30	<u>220,000</u>	<u>136,000</u>	<u>277,000</u>	<u>399,000</u>
<b>Encumbrances and Reserves:</b>				
Actual/Estimated Encumbrances June 30	49,000	15,000	99,000	54,000
Reserves for:				
Textbooks and Instructional Materials	0	8,000	19,000	45,000
Bus Purchases	7,000	8,000	10,000	0
Total Encumbrances and Reserves of Fund Balance	<u>56,000</u>	<u>31,000</u>	<u>128,000</u>	<u>99,000</u>
Unencumbered/Unreserved Fund Balance June 30	164,000	105,000	149,000	300,000
<b>Revenue from Renewal Levies</b>				
Income Tax Renewal	0	0	0	0
Unencumbered/Unreserved Fund Balance June 30 with Renewal Levies	<u>\$164,000</u>	<u>\$105,000</u>	<u>\$149,000</u>	<u>\$300,000</u>

See accompanying summary of significant forecast assumptions and accounting policies



<u>Fiscal Year</u> <u>2009 Forecasted</u>	<u>Fiscal Year</u> <u>2010 Forecasted</u>	<u>Fiscal Year</u> <u>2011 Forecasted</u>	<u>Fiscal Year</u> <u>2012 Forecasted</u>
\$1,118,000	\$1,193,000	\$1,250,000	\$1,266,000
123,000	61,000	4,000	4,000
427,000	431,000	427,000	245,000
3,944,000	4,029,000	4,117,000	4,049,000
19,000	19,000	19,000	19,000
430,000	512,000	514,000	449,000
489,000	501,000	515,000	527,000
<u>6,550,000</u>	<u>6,746,000</u>	<u>6,846,000</u>	<u>6,559,000</u>
8,000	8,000	8,000	8,000
<u>6,558,000</u>	<u>6,754,000</u>	<u>6,854,000</u>	<u>6,567,000</u>
3,355,000	3,390,000	3,488,000	3,591,000
1,470,000	1,525,000	1,587,000	1,608,000
1,289,000	1,307,000	1,343,000	1,363,000
147,000	152,000	154,000	159,000
0	0	0	0
46,000	69,000	47,000	70,000
<u>6,307,000</u>	<u>6,443,000</u>	<u>6,619,000</u>	<u>6,791,000</u>
25,000	25,000	25,000	0
8,000	8,000	8,000	8,000
<u>33,000</u>	<u>33,000</u>	<u>33,000</u>	<u>8,000</u>
<u>6,340,000</u>	<u>6,476,000</u>	<u>6,652,000</u>	<u>6,799,000</u>
218,000	278,000	202,000	(232,000)
399,000	617,000	895,000	1,097,000
<u>617,000</u>	<u>895,000</u>	<u>1,097,000</u>	<u>865,000</u>
54,000	54,000	54,000	54,000
71,000	95,000	120,000	143,000
2,000	4,000	6,000	8,000
<u>127,000</u>	<u>153,000</u>	<u>180,000</u>	<u>205,000</u>
490,000	742,000	917,000	660,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>182,000</u>
<u>\$490,000</u>	<u>\$742,000</u>	<u>\$917,000</u>	<u>\$842,000</u>

## **Sebring Local School District**

*Mahoning County*

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

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### **Note 1 – The School District**

The Sebring Local School District (School District) is located in Mahoning County and encompasses all of the Village of Sebring. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates two instructional buildings and an administrative building. The School District is staffed by 35 non-certified, 60 certificated and 3 administrative personnel who provide services to 700 (including open enrollment) students and other community members.

### **Note 2 - Nature of the Forecast**

This financial forecast presents, to the best of the Sebring 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 6, 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. For presentation in the forecast, the poverty based assistance fund and the disadvantaged pupil impact aid (DPIA) fund 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.

## Sebring Local School District

*Mahoning County*

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

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### **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.

## **Sebring Local School District**

*Mahoning County*

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

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### **C. - Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Mahoning County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

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

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

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

### **Note 5 - General Operating Assumptions**

The Sebring Local 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 businesses which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Mahoning County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election

## Sebring Local School District

*Mahoning County*

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

expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 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 tax year 2005, collection year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. The change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

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

Tax Levies	Year Approved	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$5.00
Continuing Operating	1976	1976	n/a	27.30
Continuing Operating	1977	1977	n/a	4.80
Continuing Operating	1981	1981	n/a	6.00
Continuing Operating	1995	1995	n/a	8.60
Total Tax Rate				<u>\$51.70</u>

The School District also has levies for bonded debt, permanent improvement and school facilities maintenance totaling \$7.60 per \$1,000 of assessed valuation. The School District's total property tax rate is \$59.30 per \$1,000 of valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The

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revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is \$21.96 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$36.59 per \$1,000 of assessed valuation for collection year 2008.

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 - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue and are based upon anticipated increases in assessed valuations and existing tax levies. The anticipated assessed valuations take into account increases from reappraisals and updates that will occur during the forecast in fiscal year 2009 (update) and in fiscal year 2012 (reappraisal).

The School District anticipates increases in general property taxes for the entire forecast period because of new construction and other factors. In fiscal year 2008, property taxes increased \$29,000 from the prior fiscal year due to new construction. In tax years 2008 and 2011, the Mahoning County Auditor will perform a triennial revaluation and a sexennial reappraisal for the School District, respectively, which should increase assessed valuations and real property tax receipts in collection years 2009 and 2012, respectively.

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

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subject to any tangible personal property tax. The School District, based on calendar year 2005, the last year before the phase out, will lose approximately \$461,000, 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). The decrease in revenue during fiscal years 2008 through 2012 is a result of the tax changes above.

### **B. – Income Tax**

On November 7, 2006, the voters approved a five year, one percent income tax that became effective on January 1, 2007, which is estimated to generate a minimum of \$390,000 annually. The tax is levied on the earned income of residents of the Sebring Local School District. The forecasted amounts for fiscal years 2008 through 2012 are based on the Ohio Department of Taxation's timeline for receiving district income tax payments, the estimated percentages for collections per quarter and the amount estimated for these fiscal years by the State of Ohio Tax Commissioner. The School District is anticipating renewing the levy in 2012 to prevent a loss in collections.

### **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, 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 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, the State Legislature has increased per pupil funding by 3 percent each fiscal year. The School District anticipates the per pupil amount to increase 2.5 percent each fiscal year after fiscal year 2009. The per pupil foundation levels for fiscal years 2005 through 2009 are as follows:

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

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The anticipated unrestricted grants-in-aid for fiscal year 2008 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the December school foundation statement for fiscal year 2008 and the anticipated amounts for the next four fiscal years are as follows:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Formula Aid	\$2,542,000	\$2,542,000	\$2,851,000	\$2,950,000	\$2,863,000
Categorical Funding	446,000	451,000	478,000	496,000	514,000
Transportation	101,000	102,000	103,000	104,000	105,000
Excess Cost	17,000	17,000	17,000	17,000	17,000
Parity Aid	484,000	484,000	484,000	484,000	484,000
Reappraisal Guarantee	0	0	30,000	0	0
Transitional Aid Guarantee	288,000	282,000	0	0	0
Foundation Adjustments	66,000	66,000	66,000	66,000	66,000
Totals	<u>\$3,944,000</u>	<u>\$3,944,000</u>	<u>\$4,029,000</u>	<u>\$4,117,000</u>	<u>\$4,049,000</u>

For fiscal year 2008, formula aid is expected to increase slightly over the previous fiscal year due to an increasing per pupil funding amount. Fiscal year 2009 is expected to stay the same as fiscal year 2008. For fiscal years 2010 through 2012, formula aid is anticipated to increase steadily due to anticipated per pupil funding amounts and no anticipated reduction to average daily membership (ADM). Formula ADM is being held at a consistent 700 which is based upon the October 2007 count.

Categorical funding increased due to increases in special education and gifted aid. Slight increases are anticipated in transportation. Transitional aid guarantee is anticipated in fiscal years 2008 and 2009. This money is used for the sole purpose of raising the funding up to the prior fiscal year level. For fiscal years 2010 through 2012, the funding will exceed the previous years without any additional revenue from the transitional aid guarantee.

### **D. - Restricted Grants-in-Aid**

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance. In the past, the School District received an additional \$35,000 in Poverty Based Assistance monies. As of fiscal year 2008, those monies will no longer be received. For fiscal year 2008, the School District anticipates \$2,000 in bus purchase allowance, \$1,000 in career tech monies and \$16,000 in Poverty Based Assistance monies which replaced the DPIA program. For fiscal years 2009 through 2012, the School District anticipates restricted grants-in-aid to be consistent with fiscal year 2008.

### **E. - Property Tax Allocation**

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



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The State exempts the first \$10,000 in personal property from taxation. The State reimburses the School District for the lost revenue. In 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Beginning in tax collection year 2008, the State granted an additional homestead and rollback exemption 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 has been included or decrease in general property taxes because the amount cannot yet be determined.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123<sup>rd</sup> 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. In fiscal year 2008, the School District received an excess distribution of the consumption taxes. The excess distribution is recorded solely to the general fund and is anticipated each year during the forecast.

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 2012 when the amount begins to decline, due to a phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Homestead and Rollback	\$95,000	\$98,000	\$110,000	\$119,000	\$121,000
Utility Deregulation	26,000	26,000	26,000	26,000	26,000
Tangible Personal Property Loss Reimbursements	225,000	306,000	376,000	369,000	302,000
Totals	<u>\$346,000</u>	<u>\$430,000</u>	<u>\$512,000</u>	<u>\$514,000</u>	<u>\$449,000</u>

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### **F. - All Other Revenues**

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

The School District receives open enrollment tuition for students who reside in another School District and attend the Sebring Local School District. Tuition and open enrollment revenue is expected to increase over the forecast period. This is the direct result of more students from other districts attending the School District.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. The increase in interest is due to the School District having more cash to invest. The School District anticipates a conservative 2 percent increase per year for the forecast period.

Other revenue consists of building rentals, workbook fees, project excel fees, donations, lost book fees, other revenue, and the refund of prior year expenditures. The majority of this revenue is for fees from workbooks. These are all expected to remain consistent for the forecast period. For fiscal year 2008, other revenue is larger than the rest of the forecast years due to the amount received for refund of prior year expenditures being larger than expected.

All other revenues consist of the following:

Revenue Sources	Forecast				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Tuition and Open Enrollment	\$378,000	\$389,000	\$400,000	\$412,000	\$424,000
Interest on Investments	79,000	81,000	82,000	84,000	84,000
Other Revenue	23,000	19,000	19,000	19,000	19,000
Totals	<u>\$480,000</u>	<u>\$489,000</u>	<u>\$501,000</u>	<u>\$515,000</u>	<u>\$527,000</u>

### **G. - Other Financing Sources**

During fiscal year 2008, the general fund expects to receive \$13,000 in advances. In fiscal year 2007, the general fund advanced money to several grant funds to prevent them from ending the year with a deficit balance. The advances are being repaid during fiscal year 2008. The general fund anticipates receiving \$8,000 in repaid advances annually during the forecast period.

## **Note 7 - Significant Assumptions for Expenditures and Other Financing Uses**

### **A. - Personal Services**

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay, retirement incentive bonuses, insurance opt out

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payments, attendance bonus, 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. The School District staffing levels are as follows:

	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
General Fund:				
Certified	52	53	53	56
Classified	27	27	27	26
Total General Fund	79	80	80	82
Other Funds:				
Certified	6	7	6	7
Classified	9	9	9	9
Total Other Funds	15	16	15	16
Totals	94	96	95	98

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

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases. The contract covers the period beginning September 1, 2007 through August 31, 2010, and allows for a two percent increase in the base salary in fiscal year 2008 and a three percent increase in base salary for fiscal years 2009 and 2010 as well as step increases from 1.2 to 8.3 percent depending on years of experience in each year of the contract. Certified salaries are forecasted to increase in the forecasted period due to base and step increases for all employees. The School District has assumed annual base salary increases of three percent and step increases similar to the current negotiated agreements for the fiscal years 2011 and 2012 for certified employees. The impact of the increases are forecast to be partially offset by higher paid employees retiring and being replaced by employees at the lower end of the wage scale.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers July 1, 2005 through June 30, 2008. The contract allows for a two percent increase in base wages in 2006 and a three percent increase in fiscal years 2007 and 2008. Step increases range from .7 to 2.8 percent for the period covered. Classified salaries are forecasted to increase in the forecasted period due to base and step increases for all employees. Classified employees are forecasted to have an annual base salary increase of three percent for the forecasted years 2009 to 2012 along with step increases of 1.75 percent. The impact of the increases are forecast to be partially offset by higher paid employees retiring and being replaced by employees at the lower end of the wage scale.

These agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving similar base increases is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. Should the School District agree to an additional one percent increase, it would increase certified salaries approximately \$25,000 and increase classified salaries approximately \$6,000 and decrease the fund balance by \$31,000 each year. The cumulative effect of the increases would increase salaries approximately \$93,000 and decrease the fund balance by the same amount in fiscal year 2012.

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The School District offers severance pay upon retirement to its certified and classified employees with at least ten years of service in the School District. Payments to certified and classified employees are equal to one-fourth of the employee's total sick leave accumulation, up to a maximum payment of 60 days for certified and classified employees. The School District anticipates an increase in certified severance payments during the fiscal years 2008 and 2009 due to 3 employees retiring in each year. In fiscal years 2010 and 2011, the severance payments will decrease due to fewer employees retiring and no retirements are anticipated in 2012. No classified employees are forecasted to retire during the forecast period.

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	\$2,436,000	\$2,464,000	\$2,498,000	\$2,559,000	\$2,644,000
Classified Salaries	601,000	630,000	660,000	692,000	725,000
Substitute Salaries	72,000	73,000	73,000	74,000	74,000
Supplemental Contracts	124,000	128,000	132,000	136,000	140,000
Severance Pay	52,000	52,000	19,000	20,000	0
Board Members	8,000	8,000	8,000	7,000	8,000
Totals	<u>\$3,293,000</u>	<u>\$3,355,000</u>	<u>\$3,390,000</u>	<u>\$3,488,000</u>	<u>\$3,591,000</u>

### **B. – Employees' Retirement/Insurance Benefits**

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS. 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's retirement contributions for its administrators. Retirement costs are forecasted to increase based on the increase in forecasted salaries over the next five fiscal years

House Bill No. 315 is currently pending before the State's General Assembly which would require an additional contribution of 2.5 percent for STRS from both the employer and the employee. The contributions would be phased in over a 5 year period increasing a half percent each year. This would increase the School District's benefit payments by an additional \$65,000 to \$70,000 when fully phased in. The likelihood of passage is not known and the additional contribution is not included in the forecast.

Hospitalization, prescription drug, and dental health care costs are based on monthly premiums set by the Portage County Insurance Consortium. Health care premiums are set for a twelve month period from July to June by the Consortium. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, and dental care. In fiscal year 2008, health care costs are expected to increase due to a slight increase in premiums. Premiums are anticipated to increase by eight percent in fiscal year 2009 and five percent in fiscal years 2010 and 2011. In fiscal year 2012 the School District is expecting no increase in premium rates based on the School District's health care history.

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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 pay the entire amount in May. The School District forecasts workers' compensation to increase slightly each year in the forecast period due to the increase in salaries.

Medicare is calculated by taking 1.45 percent of the salaries of the employees hired after 1986. Medicare is forecasted to increase over the forecasted period because of the increase in salaries. Other benefits include social security, unemployment and tuition reimbursement. Teachers are reimbursed for tuition expenses involved in continuing their education.

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

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Employer's Retirement	\$478,000	\$501,000	\$510,000	\$523,000	\$542,000
Health Care/Life Insurance	822,000	888,000	933,000	979,000	979,000
Workers' Compensation	24,000	25,000	25,000	26,000	27,000
Medicare	42,000	48,000	49,000	50,000	52,000
Other Benefits	8,000	8,000	8,000	9,000	8,000
Totals	<u>\$1,374,000</u>	<u>\$1,470,000</u>	<u>\$1,525,000</u>	<u>\$1,587,000</u>	<u>\$1,608,000</u>

### **C. - Purchased Services**

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

	Forecast				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Professional and Technical Services	\$88,000	\$89,000	\$80,000	\$89,000	\$80,000
Property Services	53,000	55,000	57,000	58,000	60,000
Travel and Meeting Expenses	10,000	10,000	11,000	11,000	11,000
Communication Costs	20,000	21,000	21,000	22,000	23,000
Utility Services	277,000	285,000	293,000	302,000	311,000
Tuition and Other Similar Payments	812,000	827,000	843,000	859,000	876,000
Other Purchased Services	2,000	2,000	2,000	2,000	2,000
Totals	<u>\$1,262,000</u>	<u>\$1,289,000</u>	<u>\$1,307,000</u>	<u>\$1,343,000</u>	<u>\$1,363,000</u>

Professional and technical services are anticipated to remain at a relatively consistent level for the forecast period. Contracts will need to be renegotiated during the forecast period; in fiscal years 2009 and 2011 expenditures are expected to be higher because of the extra costs related to legal fees for negotiations. Utility services are showing gradual increases due to an increase in consumption and the increased cost to purchase gas, water and electric. Tuition and other similar payments are expected to increase due to open enrollment and special education excess costs.

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**D. - Supplies and Materials**

The following table is a comparison of the supplies and materials expenditures for fiscal years 2008 through 2012:

	Forecast				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
General Supplies, Library Books and Periodicals	\$72,000	\$74,000	\$75,000	\$77,000	\$78,000
Operations, Maintenance and Repair	60,000	59,000	62,000	62,000	66,000
Textbooks	14,000	14,000	15,000	15,000	15,000
Totals	<u>\$146,000</u>	<u>\$147,000</u>	<u>\$152,000</u>	<u>\$154,000</u>	<u>\$159,000</u>

The entire forecast period is showing consistent expenditures which will be needed to keep supplies at a level that is needed to effectively run the School District. There is a slight increase shown each year due to anticipated increases in the cost of supplies and materials.

**E. - Capital Outlay**

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. The School District purchased one new bus in fiscal year 2008 and does not anticipate any school bus purchases for the forecast period.

The School District has a permanent improvement fund that generates approximately \$100,000, annually. The School District uses this fund to make most capital expenditures.

**F. - Other Objects**

Other object expenditures consist of dues and fees, liability insurance and awards. The School District is on a two year audit schedule and anticipates fiscal years 2008, 2010 and 2012 to be higher due to audit fees.

**G. - Operating Advances/Transfers Out**

The School District anticipates transfers to the food service fund for most of the forecast period and advances to several grant funds. The transfers are anticipated to cover deficits in the food service program. By fiscal year 2012, the School District anticipates the food service fund will be self-supporting and transfers from the general fund will not be necessary. Advances out are only made to cover deficit balances that can be repaid in the following fiscal year when the grant monies are received.

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### **Note 8 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects were \$99,000 for fiscal year 2007. In fiscal year 2007, the School District encumbered \$50,000 for the purchase of a new bus. For the remaining forecast period, the School District anticipates encumbrances staying consistent at \$54,000.

### **Note 9 - Reservations of Fund Balance**

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

#### **A. - Textbooks and Instructional Materials Set-Aside**

The set aside amount required for fiscal year 2008 is \$108,000. The School District had a carry over amount of \$19,000 from fiscal year 2007. The School District anticipates \$82,000 in qualifying expenditures during the current fiscal year leaving a reserve balance of \$45,000. The School District's set aside requirement is anticipated to increase three percent annually for fiscal years 2009 through 2012. The School District anticipates qualified expenditures will be less than the reserve requirement; therefore, the School District anticipates having a reserve for the remainder of the forecast period ranging from \$71,000 to \$143,000.

#### **B. - Capital Acquisition and Improvements Set-Aside**

The set aside amount for fiscal year 2008 is \$108,000. The School District anticipates \$58,000 in qualifying expenditures. These expenditures are for the purchase of a bus and their permanent improvement plan which consists of various facility improvements, as well as new equipment updates to the School District's computer labs. An offset is also forecasted for \$101,000 in permanent improvement levy money during the current fiscal year. Therefore, no reserve amount is forecasted for capital acquisition and improvements for fiscal year 2008. For fiscal years 2009 through 2012, the School District anticipates qualified expenditures and offsets will exceed the annual set aside requirement.

#### **C. - Bus Purchases**

At June 30, 2007, the School District had \$10,000 in unspent bus monies. The School District anticipates receiving \$2,000 in a bus purchase allowance during fiscal year 2008. The School District purchased a bus at the beginning of fiscal year 2008 using \$12,000 of the bus purchase allowance monies leaving a zero reserve balance forecasted for bus purchases. The School District expects to receive approximately \$2,000 in bus monies in fiscal years 2009 through 2012 and does not anticipate purchasing any new buses during the forecast period. Therefore, a bus purchase reserve is forecast to increase each fiscal year.

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### **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>Expiration Date</u>	<u>Election Results</u>
September 1999	Bond Issue	\$1,833,000	22 years	12/31/2021	Passed
May 2003	Operating	6.80 mills	5 Years	n/a	Failed
November 2003	Operating	6.60 mills	5 Years	n/a	Failed
November 2004	Operating	6.60 mills	5 Years	n/a	Failed
May 2005	Income Tax	0.75%	Continuing	n/a	Failed
November 2005	Income Tax	1%	Continuing	n/a	Failed
May 2006	Income Tax	1%	Continuing	n/a	Failed
November 2006	Income Tax	1%	5 Years	12/31/2011	Passed

In the last year of the forecast period, the 2006 income tax levy will expire. The School District anticipates this levy will be renewed.

### **Note 11 – Self-Insurance Fund**

The School District provides medical, prescription drug, and dental benefits through a self-insured program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee. Monthly charges per person for single and family participation in the program are recommended by the Portage County Insurance Consortium administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of \$150,000 per person up to \$1,000,000 per policy term and for aggregate annual claims in excess of \$1,850,000. The School District anticipates the costs of claims to increase throughout the forecast period. The monthly charges to the various funds will also increase to cover the cost of claims and administrative charges and to maintain a positive cash fund balance.

### **Note 12 – Pending Litigation**

The School District currently has no pending litigation.

### **Note 13 – 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-G.





**Mary Taylor, CPA**  
Auditor of State

**SEBRING LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 18, 2008**