Mary Taylor, CPA
Auditor of State

Salem City School District
Columbiana County, Ohio

Fiscal Watch Termination

Local Government Services Section

Salem City School District
Columbiana County

Fiscal Watch Termination

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Termination of Fiscal Watch

Pursuant to a request submitted to the Auditor of State by the Salem City School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Salem 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. Salem City School District's status of Fiscal Watch is hereby terminated as of December 17, 2009.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Steve Bailey, President of the Board of Education of the Salem City School District; J. Pari Sabety, Director of Budget and Management; Deborah S. Delisle, State Superintendent of Public Instruction, and Jerry L. Wolford, Mayor of the City of Salem.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

December 17, 2009

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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 school district has not passed a tax levy to eliminate this condition in the succeeding fiscal 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 2 percent and 8 percent of the school district's general fund revenue for the preceding fiscal year, the school 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 September 30, 2005, the Department of Education declared the Salem City School District to be in a state of fiscal caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for fiscal years June 30, 2006 and 2007. The Department of Education notified the Auditor of State that the Salem 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.

According to the provisions of Section 3316.03(A)(3), the Auditor of State declared the Salem City School District in fiscal watch on March 2, 2006, 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 31, 2005, which included deficits of $1,362,000 and $2,070,000 for fiscal years 2006 and 2007, 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.

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 school 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 school 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 school district received an unqualified opinion on the 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 school district;

- Examine the school district's five-year forecast. To be eligible for release from fiscal watch, the forecast must be based on the board of education's most likely course of action, demonstrate that the school district will avoid all fiscal watch conditions for the current and ensuing fiscal year, and receive an unqualified opinion from the Auditor of State; and,

- Make a determination regarding release and notify the school district and the Department of Education.

Analysis of Compliance with the Guidelines for Termination of Fiscal Watch

The Auditor of State received a letter from the Ohio Department of Education which recommended that Salem City School District be released from fiscal watch on March 13, 2009. The Salem City School District Board of Education passed a resolution on December 15, 2008, requesting termination from fiscal watch.

The primary strategy of the recovery plan dated May 26, 2006, was to increase operating revenues, decrease operating expenditures, or a combination of the two. Proposals to achieve this strategy included the following:

- Closing an elementary and middle school, reducing non-mandatory instructional programming and reducing/consolidating academic programming and reducing all-day kindergarten to minimum standards of half day.

- Reductions in fringe benefit costs.

- Passage of $4.3 million emergency operating levy.

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

- During fiscal year 2007, the School District closed one elementary school and eliminated 15 certified positions, one administrative position and 15 classified positions along with reductions in hours for classified positions.

- Reduced fringe benefits through retirements, staffing cuts and the negotiation of a 10 percent co-pay on medical insurance.

- Passed the $4.3 million emergency operating levy.

The Ohio Department of Education (ODE) provided the Auditor of State with a letter, dated March 13, 2009, in which ODE stated "…the School District has achieved the objectives of the recovery plan… ODE recommends the Salem City School District be released from fiscal watch."

The guidelines require the School District to receive an unqualified audit 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, 2008, was released by the Auditor of State on January 28, 2009, 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 2008, the most recent audit, were reviewed. The compliance and management letters disclosed the following:

- The School District did not have any citations in the report on compliance.

- The management letter that accompanied the 2008 audit included five immaterial noncompliance issues and two immaterial recommendations. Management has implemented changes as a result of the recommendations. While this change is in the interest of the School District, the audit for 2009 will determine the effectiveness of the change.

The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2010 through 2014, to determine if the School District will avoid fiscal watch conditions for the current and ensuing fiscal year. 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 2014. 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, 2008;

2) The compliance letter issued as part of the 2008 audit contained no material noncompliance issues;

3) The management letter issued at the completion of the 2008 audit included two immaterial recommendations. The comments in the management letter are not material instances of noncompliance or reportable internal control conditions; however, the comments do represent areas in which improvement is needed. Management is taking corrective action and we do not believe these issues would negatively impact the financial recovery or condition of the School District;

4) The Ohio Department of Education has provided a letter dated March 13, 2009, which indicates the School District has achieved the objectives of the recovery plan and should be released from fiscal watch; and,

5) The Auditor of State has examined the School District's financial forecast. The forecast demonstrates that the School District will avoid a fiscal watch condition based on the general fund balances for fiscal years 2010 through 2014.

The Salem City School District has met the guidelines for termination of fiscal watch; therefore, the fiscal watch status is hereby cancelled as of December 17, 2009.

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

Salem City School District

Columbiana County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2010 through June 30, 2014

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Salem City School District – Columbiana County

Fiscal Watch Termination

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Mary Taylor, CPA
Auditor of State

Board of Education
Salem City School District
1226 E. State Street
Salem, Ohio 44460

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 Salem City School District for the fiscal years ending June 30, 2010 through June 30, 2014. The Salem City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the Salem City School District for the fiscal years ended June 30, 2007, 2008 and 2009 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 it. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 30, 2009

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Salem City School District
Columbiana County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2007 Through 2009 Actual;
For the Fiscal Years Ending June 30, 2010 Through 2014 Forecasted
General Fund

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Forecasted
Revenues				
General Property Tax	$7,112,000	$8,026,000	$8,205,000	$8,441,000
Tangible Personal Property Tax	1,728,000	1,231,000	485,000	21,000
Income Tax	323,000	50,000	20,000	0
Unrestricted Grants-in-Aid	6,668,000	6,721,000	6,632,000	6,327,000
Restricted Grants-in-Aid	145,000	87,000	86,000	52,000
Restricted Federal Grants-in-Aid-SFSF	0	0	0	429,000
Property Tax Allocation	1,765,000	2,387,000	2,945,000	2,809,000
All Other Revenues	362,000	486,000	476,000	408,000
Total Revenues	18,103,000	18,988,000	18,849,000	18,487,000
Other Financing Sources				
Advances In	51,000	0	13,000	0
Total Revenues and Other Financing Sources	18,154,000	18,988,000	18,862,000	18,487,000
Expenditures				
Personal Services	9,212,000	8,658,000	9,062,000	9,218,000
Employees' Retirement/Insurance Benefits	4,832,000	4,998,000	3,969,000	4,163,000
Purchased Services	2,739,000	2,960,000	3,261,000	3,194,000
Supplies and Materials	239,000	255,000	597,000	537,000
Capital Outlay	10,000	9,000	67,000	68,000
Debt Service:				
Principal-Tax Anticipation Note	0	433,000	433,000	434,000
Interest	0	46,000	28,000	9,000
Other Objects	493,000	447,000	392,000	381,000
Total Expenditures	17,525,000	17,806,000	17,809,000	18,004,000
Other Financing Uses				
Transfers Out	37,000	36,000	0	0
Advances Out	0	13,000	0	0
All Other Financing Uses	0	20,000	0	0
Total Other Financing Uses	37,000	69,000	0	0
Total Expenditures and Other Financing Uses	17,562,000	17,875,000	17,809,000	18,004,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	592,000	1,113,000	1,053,000	483,000
Cash Balance July 1	(1,031,000)	(439,000)	674,000	1,727,000
Cash Balance June 30	(439,000)	674,000	1,727,000	2,210,000
Encumbrances and Reserves of Fund Balance				
Actual/Estimated Encumbrances June 30	41,000	22,000	186,000	44,000
Reserves for:				
Textbooks and Instructional Materials	0	0	0	83,000
Bus Purchases	0	0	13,000	0
Total Encumbrances and Reserves of Fund Balance	41,000	22,000	199,000	127,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	(480,000)	652,000	1,528,000	2,083,000
Revenue from Renewal Levies				
Property Tax - Renewal	0	0	0	0
Cumulative Balance of Renewal Levies	0	0	0	0
Unencumbered/Unreserved Fund Balance (Deficit) June 30 with Renewal Levies	($480,000)	$652,000	$1,528,000	$2,083,000

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

Fiscal Year 2011 Forecasted	Fiscal Year 2012 Forecasted	Fiscal Year 2013 Forecasted	Fiscal Year 2014 Forecasted
$7,564,000	$6,252,000	$5,826,000	$5,864,000
11,000	0	0	0
0	0	0	0
6,197,000	6,660,000	6,660,000	6,660,000
45,000	40,000	35,000	32,000
610,000	0	0	0
2,731,000	2,591,000	2,544,000	2,425,000
408,000	408,000	409,000	409,000
17,566,000	15,951,000	15,474,000	15,390,000
0	0	0	0
17,566,000	15,951,000	15,474,000	15,390,000
9,489,000	9,685,000	9,923,000	10,181,000
4,394,000	4,642,000	4,924,000	5,234,000
3,237,000	3,293,000	3,346,000	3,395,000
505,000	511,000	518,000	525,000
68,000	68,000	68,000	68,000
0	0	0	0
0	0	0	0
381,000	381,000	381,000	381,000
18,074,000	18,580,000	19,160,000	19,784,000
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
18,074,000	18,580,000	19,160,000	19,784,000
(508,000)	(2,629,000)	(3,686,000)	(4,394,000)
2,211,000	1,703,000	(926,000)	(4,612,000)
1,703,000	(926,000)	(4,612,000)	(9,006,000)
44,000	44,000	44,000	44,000
186,000	287,000	386,000	482,000
13,000	0	0	0
243,000	331,000	430,000	526,000
1,460,000	(1,257,000)	(5,042,000)	(9,532,000)
1,050,000	2,750,000	3,400,000	3,400,000
0	3,800,000	7,200,000	10,600,000
$1,460,000	$2,543,000	$2,158,000	$1,068,000

Note 1 – The School District

The Salem City School District (School District) is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates four instructional buildings and an administrative building. The School District is staffed by 83 non-certified and 159 certificated personnel who provide services to 2,078 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Salem 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 November 30, 2009, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the general fund supported debt and the poverty based assistance and the school district fiscal stabilization funds 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 be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to disbursements for specified purposes.

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

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

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

Proprietary Funds

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

Internal Service Funds – Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations or other government units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds.

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the 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 Columbiana County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

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

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

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

Note 5 - General Operating Assumptions

The Salem 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. The forecast is based on the Board's most likely course of action and does not include any changes that may be necessary to comply with the administrative rules to be adopted by ODE as part of the Ohio Evidence Based Education model approved by the Ohio General Assembly in 2009.

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 Columbiana County Auditor and Treasurer. Settlement dates, on which collections are distributed to the School District, are established by

State statute. The School District may request advances from the Columbiana County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenues received during calendar year 2009 (the collection year) for real and public utility property taxes represent collections of 2008 taxes (the tax year). Property tax payments received during calendar year 2009 for tangible personal property (other than public utility property) are for calendar year 2009 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against 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 2010 through 2014.

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	$3.20
Continuing Operating	1976	1976	n/a	21.90
Continuing Operating	1976	1976	n/a	3.90
Continuing Operating	1980	1980	n/a	3.50
Continuing Operating	1986	1986	n/a	4.50
Emergency ($2,100,000)	2005	2006	2011	6.70
Emergency ($1,300,000)	2006	2007	2012	4.30
Total Tax Rate				$48.00

The School District also has two permanent improvement levies totaling $3.00 per $1,000 of assessed valuation. The School District's total tax rate is $51.00 per $1,000 of assessed valuation for tax year 2009.

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

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

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

The School District anticipates increases in general property taxes for the entire forecast period due to new construction. In fiscal year 2009, property taxes increased $179,000 from the prior fiscal year due to new construction. Small increases are anticipated each year during the forecast from new construction. In tax years 2010 and 2013, the Columbiana County Auditor will perform a sexennial reappraisal and a triennial revaluation for the School District, respectively, which should increase assessed valuations and real property tax receipts generated by the inside millage in collection years 2011 and 2014, respectively.

The School District has emergency levies expiring in collection years 2011 and 2012. While the School District anticipates renewing this levy, voter approval is uncertain and the tax revenues have been excluded from the revenues section and presented under the heading Revenue from Renewal Levies.

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 exceeded 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 completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 phased out, by 25 percent each year, tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change superseded the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter is not subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out, lost approximately $2,757,000, annually, in tangible personal property tax. The State of Ohio reimburses 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).

B. - Unrestricted Grants-in-Aid

Prior to fiscal year 2010, the State's funding for schools existed in Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The semi-annual payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills multiplied by the school district's taxable property valuation. The per pupil foundation level was set by State Legislature. Beginning in fiscal year 2008, the per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

The per pupil amount for fiscal years 2007 to 2009 are as follows:

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

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-based Model exists in Chapter 3306 of the Ohio Revised Code and links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 22 mills for fiscal year 2010 and 2011. In fiscal years 2012 and 2013, the charge off amount is 21 mills. In fiscal year 2014 and each year thereafter, the charge off is 20 mills.

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount are phased in over a five year period. In addition, the School District is guaranteed 99 and 98 percent of prior year State Foundation aid for the fiscal year 2010 and 2011, respectively. For fiscal year 2012 through 2014, the School District assumes the General Assembly will approve funding levels comparable to the 2011 amounts.

In fiscal year 2010 and 2011, approximately six percent and nine percent, respectively, of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State under the American Recovery and Reinvestment Act (see D - Restricted Federal Grants-in-Aid).

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consisted of a bus purchase allowance and career tech monies. For fiscal year 2010, the School District anticipates $13,000 in bus purchase allowance and $39,000 in career tech monies. For fiscal years 2011 through 2014, the School District anticipates restricted grants-in-aid to decrease slightly each year. This is mostly due to the decreasing trend for career tech monies.

D. - Restricted Federal Grants-in-Aid

In 2010, Ohio was allocated $845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The School District, based on estimates provided by the Department of Education, anticipates $429,000 for fiscal year 2010 and $610,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for smart boards, technology programs and teacher salaries.

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. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first $25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

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

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as Utility Deregulation payments. The reimbursements are phased out starting in 2007 and ending in 2016.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. The School District is fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement is 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 the reimbursement for the tangible personal property tax until 2014 when the amount begins to decline, due to a phase out of the tangible personal property loss reimbursement.

Property tax allocation revenues consist of the following:

	Forecasted				
Revenue Sources	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Homestead and Rollback	$889,000	$799,000	$659,000	$612,000	$614,000
Utility Deregulation	133,000	133,000	133,000	133,000	133,000
Tangible Personal Property Loss Reimbursements	1,787,000	1,799,000	1,799,000	1,799,000	1,678,000
Totals	$2,809,000	$2,731,000	$2,591,000	$2,544,000	$2,425,000

F. - All Other Revenues

All other revenues include tuition, open enrollment, transportation, interest on investments, rental, other revenue and Medicaid School Program (MSP).

The School District receives tuition from open enrollment tuition for students who reside in another School District and attend the Salem City School District. Open enrollment tuition is anticipated to remain consistent throughout the forecast period.

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

Other revenue consists of land rentals, donations, other revenue, CAFS/MSP and the refund of prior year expenditures. These are all expected to remain consistent for the forecast period.

The Medicaid School Program (MSP) began July 1, 2009. This program is a collaborative effort between the Ohio Department of Job and Family Services as the state Medicaid agency and the Ohio Department of Education as the agency responsible for assuring that the Individuals with Disabilities Education Act is implemented by Schools. This program allows for the School District to recover part of the cost of delivering health related services to eligible special needs students.

All other revenues consist of the following:

	Forecast				
Revenue Sources	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Tuition and Open Enrollment	$331,000	$331,000	$331,000	$331,000	$331,000
Transportation	1,000	1,000	1,000	1,000	1,000
Interest on Investments	13,000	13,000	13,000	14,000	14,000
Rentals	5,000	5,000	5,000	5,000	5,000
Other Revenue	28,000	28,000	28,000	28,000	28,000
Medicaid School Program	30,000	30,000	30,000	30,000	30,000
Totals	$408,000	$408,000	$408,000	$409,000	$409,000

G. - Other Financing Sources

In prior years, the general fund was repaid advances made to grant funds. The general fund advanced money to the grant funds to prevent them from ending the year with a deficit balance.

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, 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. Staffing levels for the last three years are displayed in the chart below.

	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
General Fund:				
Certified	143	132	138	139
Classified	60	58	58	58
Total General Fund	203	190	196	197
Other Funds:				
Certified	19	20	20	20
Classified	20	25	25	25
Total Other Funds	39	45	45	45
Totals	242	235	241	242

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, 2009 through August 31, 2012, and allows for a one and a half percent increase in the base salary for fiscal years 2010 through 2012 as well as step increases ranging from one to four percent. The School District has assumed annual base salary increases of one and a half percent and step increases similar to the current negotiated agreements for the fiscal years 2013 and 2014. 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 original contract covered the period beginning July 1, 2005 through June 30, 2009. This contract was extended through June 30, 2010. The contract allows for a two percent increase in base wages for fiscal year 2010. Step increases range from one to four percent for the period covered. Classified employees are forecasted to have an annual base salary increase of two percent for the forecasted years 2011 and 2014. 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.

Supplemental salaries are based on a negotiated contract. The contract allows for a one and a half percent increase in base wages for fiscal year 2010 through 2014.

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 67.5 days for certified employees and 80 days for classified employees.

The School District offers a retirement incentive bonus of 35 percent of the salary received by the employee including the 5 percent pickup to certified and classified employees who become eligible to retire in the current fiscal year and submit an irrevocable notice of intent to the Superintendent by March 15 of the eligible retirement year. The retirement incentive payment is made in two equal payments. The first payment is made in January of the calendar year following the employee’s retirement and the second payment is made the next January. Certified employees will have this option through August 31, 2012. Classified employees will have this option through June 30, 2010. The School District is anticipating this to continue into the new contracts.

The School District anticipates a decrease in certified and classified severance and retirement incentive payments during fiscal year 2010 due to fewer employees retiring than in the previous fiscal year. In fiscal year 2011, the School District anticipates severance and retirement incentive payments to increase due to a greater number of certified and classified employees expected to retire. Severance and retirement incentive payments are forecasted to remain consistent from fiscal year 2011 through 2014.

Presented below is a comparison of salaries and wages for fiscal years 2010 through 2014.

		Forecasted			
	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Certified Salaries	$7,225,000	$7,348,000	$7,504,000	$7,695,000	$7,921,000
Classified Salaries	1,439,000	1,473,000	1,509,000	1,553,000	1,581,000
Substitute Salaries	169,000	169,000	169,000	169,000	169,000
Supplemental Contracts	236,000	239,000	243,000	246,000	250,000
Severance Pay and Retirement Incentive	115,000	226,000	226,000	226,000	226,000
Board Members	9,000	9,000	9,000	9,000	9,000
Student Workers	25,000	25,000	25,000	25,000	25,000
Totals	$9,218,000	$9,489,000	$9,685,000	$9,923,000	$10,181,000

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

Hospitalization, vision, life, and dental health care costs are based on monthly premiums set by the Stark County Council of Governments. Health care premiums are set for a twelve month period from July to June. 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 2010, health care costs are expected to increase slightly. Premiums are anticipated to increase by nine percent in fiscal years 2011 through 2014.

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 2010 through 2014:

	Forecasted				
	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Employer's Retirement	$1,781,000	$1,810,000	$1,840,000	$1,884,000	$1,933,000
Health Care/Life Insurance	2,194,000	2,392,000	2,607,000	2,841,000	3,097,000
Workers' Compensation	56,000	57,000	58,000	59,000	61,000
Medicare	103,000	106,000	108,000	111,000	114,000
Other Benefits	29,000	29,000	29,000	29,000	29,000
Totals	$4,163,000	$4,394,000	$4,642,000	$4,924,000	$5,234,000

C. - Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2010 through 2014:

	Forecast				
	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Professional and Technical Services	$128,000	$122,000	$128,000	$128,000	$122,000
Property Services	184,000	189,000	195,000	201,000	207,000
Travel and Meeting Expenses	45,000	45,000	45,000	45,000	45,000
Communication Costs	39,000	40,000	41,000	43,000	44,000
Utility Services	514,000	537,000	560,000	585,000	611,000
Tuition and Other Similar Payments	2,274,000	2,294,000	2,314,000	2,334,000	2,356,000
Other Purchased Services	10,000	10,000	10,000	10,000	10,000
Totals	$3,194,000	$3,237,000	$3,293,000	$3,346,000	$3,395,000

Professional and technical services are anticipated to remain consistent for the forecast period. Property services are expected to increase gradually over the forecast period due to expected repairs and maintenance on existing buildings. 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.

D. - Supplies and Materials

The following table is a comparison of the supplies and materials expenditures for fiscal years 2010 through 2014:

	Forecast				
	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
General Supplies, Library Books and Periodicals	$155,000	$160,000	$164,000	$169,000	$174,000
Operations, Maintenance and Repair	225,000	188,000	190,000	192,000	194,000
Textbooks	157,000	157,000	157,000	157,000	157,000
Totals	$537,000	$505,000	$511,000	$518,000	$525,000

General supplies, library books and periodicals are forecasted to increase in fiscal year 2010 due to the School District needing to replenish depleted levels and to replace outdated materials as the financial situation improves. In fiscal years 2011 through 2014, it is expected to continue to increase each year at a conservative level due to the continuing need to restock supplies. Operations, maintenance and repair is anticipated to decrease due to the School District replenishing custodial supplies less and less each year and the cost of diesel fuel partially offsetting the decrease. The amount spent on textbooks is expected to remain at the fiscal year 2010 level for the entire forecast period. This is due to the School District's replacement and purchase of textbooks which is necessary to begin to meet State mandated set-aside requirements and to replace out-dated textbooks that were continued to be used due to the financial condition of the School District.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. The School District expects to continue to purchase computer equipment each year of the forecast period. The forecast is expected to remain consistent for the forecast period.

F. - Debt

The forecast reflects a decrease from fiscal year 2010 to fiscal year 2011 due to the School District making the final payment on the Tax Anticipation Note during fiscal year 2010.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. These amounts are forecast to remain consistent each year of the forecast.

H. – Advances and Transfers Out

Advances and transfers out are not anticipated during the entire forecast period. Historically, the School District has had small advances due to the timing of grant monies.

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 $186,000 for fiscal year 2009. Encumbrances for fiscal year 2010 are anticipated to decrease to 2007 levels. For the remaining forecast period, the School District anticipates encumbrances staying consistent at $44,000.

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 is approximately $348,000 in fiscal year 2010 and each year thereafter. The School District had $23,000 in excess of qualified expenditures from fiscal year 2009. The School District anticipates $242,000 in qualifying expenditures during fiscal year 2010, $245,000 in fiscal year 2011, $247,000 in fiscal year 2012, $249,000 in fiscal year 2013, and $252,000 in fiscal year 2014. Increases in qualifying expenditures in future fiscal years are projected due to an increase in spending for instructional materials. A reserve balance is reported for the difference between the annual set aside and the qualified expenditures each fiscal year.

B. – Capital Acquisition and Improvements

The set aside amount required is approximately $348,000 for fiscal years 2010 through 2014. Annual offsets are anticipated from classroom facilities maintenance levies and general obligation bond proceeds; therefore, no reserve amount is anticipated for the forecast period.

C. – Bus Purchases

The School District anticipates receiving $13,000 in a bus purchase allowance during fiscal year 2010 through 2014. The School District also anticipates purchasing two buses during fiscal year 2010 and at least one new bus for fiscal years 2012 through 2014; therefore, there will be a reserve for bus purchases in fiscal year 2011 and then there will be no reserve forecast during fiscal years 2012 through 2014.

Note 10 - Levies

Since 1999, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Tax Year Expiration Date	Election Results
May 1999	Emergency Operating	$1,185,500	5 years	n/a	Failed
November 1999	Emergency Operating	1,185,000	5 Years	n/a	Failed
March 2000	Income Tax	1%	5 Years	n/a	Failed
March 2000	Operating	1,185,000	5 Years	n/a	Failed
August 2000	Emergency Operating	2,100,000	5 Years	2005	Passed
May 2003	Permanent Improvement	2 Mills	5 years	2008	Passed
May 2005	Emergency Operating	2,100,000	5 years	2010	Passed
November 2005	Emergency Operating	1,185,000	5 Years	n/a	Failed
May 2006	Emergency Operating	1,300,000	5 years	2011	Passed
November 2007	Permanent Improvement	2 Mills	5 years	2012	Passed

In fiscal year 2011, the 2005 emergency operating levy will expire, and in fiscal year 2012, the 2006 emergency operating tax levy will expire. The School District anticipates requesting voter approval for the renewal of the levies.

Note 11 – Pending Litigation

The School District is of the opinion there is no pending litigation.

Note 12 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Mary Taylor, CPA
Auditor of State

SALEM CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 17, 2009

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