



Mary Taylor, CPA
Auditor of State

Edison Local School District
Jefferson County, Ohio

Financial Forecast
For the Fiscal Year Ending June 30, 2007

Local Government Services Section

Edison Local School District
Jefferson County

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Mary Taylor, CPA

Auditor of State

State of Ohio
Department of Education
65 South Front Street
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CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Edison Local School District, Jefferson County, Ohio, and issued a report dated April 23, 2007. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2007, of \$1,392,000 after meeting the statutory cash reserve for textbooks and instructional materials and creating the bus purchase reserve for unspent grant money. The anticipated textbook and instructional materials and capital improvement reserve balances assume the Ohio Department of Education's approval of a waiver of the current year set-aside requirement.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2008 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. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2007 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2007.

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in black ink that reads "Peter R. Sorem".

Peter R. Sorem
Chief of Local Government Services

April 23, 2007

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Mary Taylor, CPA

Auditor of State

Board of Education
Edison Local School District
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Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the General Fund of the Edison Local School District for the fiscal year ending June 30, 2007. The Edison Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying statement of revenues, expenditures and changes in fund balance of the General Fund of Edison Local School District for the fiscal years ended June 30, 2004, 2005 and 2006 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 4, 2007

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EDISON LOCAL SCHOOL DISTRICT
JEFFERSON, COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2004, 2005 AND 2006 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2007 FORECASTED
GENERAL FUND

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Forecasted
Revenues				
General Property Tax (Real Estate)	\$6,691,000	\$6,973,000	\$7,080,000	\$7,523,000
Tangible Personal Property Tax	402,000	394,000	571,000	72,000
Unrestricted Grants-in-Aid	7,759,000	7,712,000	7,577,000	7,452,000
Restricted Grants-in-Aid	751,000	761,000	726,000	887,000
Property Tax Allocation	1,192,000	963,000	916,000	996,000
All Other Revenues	697,000	854,000	771,000	754,000
<i>Total Revenues</i>	<u>17,492,000</u>	<u>17,657,000</u>	<u>17,641,000</u>	<u>17,684,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	1,500,000	1,000,000	2,000,000
Proceeds from Sale of Bonds	0	0	0	571,000
Advances In	15,000	255,000	4,000	68,000
All Other Financing Sources	29,000	12,000	10,000	18,000
<i>Total Other Financing Sources</i>	<u>44,000</u>	<u>1,767,000</u>	<u>1,014,000</u>	<u>2,657,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>17,536,000</u>	<u>19,424,000</u>	<u>18,655,000</u>	<u>20,341,000</u>
Expenditures				
Personal Services	9,437,000	9,469,000	9,499,000	9,385,000
Employees' Retirement/Insurance Benefits	4,762,000	4,874,000	4,378,000	5,408,000
Purchased Services	1,944,000	2,374,000	2,302,000	2,440,000
Supplies and Materials	697,000	673,000	735,000	722,000
Capital Outlay	147,000	662,000	436,000	926,000
Debt Service:				
Principal - Tax Anticipation Note	135,000	1,500,000	1,000,000	2,000,000
Interest	3,000	7,000	7,000	39,000
Other Objects	505,000	500,000	454,000	584,000
<i>Total Expenditures</i>	<u>17,630,000</u>	<u>20,059,000</u>	<u>18,811,000</u>	<u>21,504,000</u>
Other Financing Uses				
Advances Out	129,000	130,000	68,000	45,000
Operating Transfers Out	31,000	157,000	52,000	112,000
<i>Total Other Financing Uses</i>	<u>160,000</u>	<u>287,000</u>	<u>120,000</u>	<u>157,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>17,790,000</u>	<u>20,346,000</u>	<u>18,931,000</u>	<u>21,661,000</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(254,000)	(922,000)	(276,000)	(1,320,000)
Cash Balance July 1	<u>1,652,000</u>	<u>1,398,000</u>	<u>476,000</u>	<u>200,000</u>
Cash Balance June 30	<u>1,398,000</u>	<u>476,000</u>	<u>200,000</u>	<u>(1,120,000)</u>
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	379,000	92,000	114,000	100,000
Reservation of Fund Balance for				
Texbooks and Instructional Materials	129,000	235,000	403,000	115,000
Capital Improvements	246,000	0	2,000	0
Bus Purchase	41,000	0	21,000	57,000
<i>Total Encumbrances and Reserves of Fund Balance</i>	<u>795,000</u>	<u>327,000</u>	<u>540,000</u>	<u>272,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$603,000</u>	<u>\$149,000</u>	<u>(\$340,000)</u>	<u>(\$1,392,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies
See accountant's report

Edison Local School District
Jefferson County
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Note 1 - The School District

The Edison Local School District (School District) is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District provides educational services as authorized by state and local guidelines. The School District currently operates 10 instructional/support facilities staffed by 165 certificated and 113 non-certificated general fund employees who provide services to 2,347 students.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Edison Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of April 4, 2007, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

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

Note 4 - Summary of Significant Accounting Policies

A. Basis of Accounting

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

Edison Local School District
Jefferson County
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

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 Funds - 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 governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations

Edison Local School District
Jefferson County
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Jefferson County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year. The County Budget Commission has waived the requirement for the filing of a formal tax budget document.

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

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes are applied to real estate, public utility real and personal property, manufactured homes, and tangible personal property used in business that is located within the School District. Property taxes are collected for, and distributed to, the School District by the Jefferson, Carroll, and Harrison County Auditors and Treasurers. The School District may request advances from the County Auditors as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Final settlement dates are set by State Statute. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2006 (the collection year) for real and public utility property taxes represents collections of calendar year 2005 taxes (the tax year). Property tax payments received during calendar year 2006 for tangible personal property (other than

Edison Local School District
 Jefferson County
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2007

public utility property) are for calendar year 2006 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 calendar year 2006, the State eliminated the ten percent rollback on commercial and industrial property. This change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year end, the 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 fiscal year 2008 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 appropriate any such advances for fiscal year 2007.

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

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$4.00
Continuing Operating	1976	n/a	14.55
Continuing Operating	1977	n/a	7.60
Emergency Operating	2005	2010	2.30
Total Tax Rate			<u>\$28.45</u>

The School District's total rate is \$28.45 per \$1,000 of assessed value.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property tax revenues on carry-over property as in the year in which the levy was approved. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set amount of revenue annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and 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 below 20 mills. The effective residential and agricultural rate is \$22.30 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$22.64 per \$1,000 of assessed valuation for the collection year of 2007.

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

Edison Local School District
Jefferson County
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

assessment rate for certain tangible personal property of electric and gas utilities from 88 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 will switch telephone companies from being public utilities to general business taxpayers and will phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax – The general property tax revenue account appearing on the forecast statement includes real estate taxes, public utility property taxes and manufactured home taxes. The general property tax revenue estimate is based upon actual receipts and information provided by the Jefferson, Harrison, and Carroll County Auditor's offices. The School District anticipates an increase of \$443,000 due to the completion of the Jefferson County six-year re-appraisal and new construction. In addition, the School District's effective rate, excluding the emergency levy, for residential/agricultural property is at 20 mills and by law cannot be reduced.

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

Beginning in 2006, House Bill 66 phases out by 25 percent each year tangible personal property tax on most businesses 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 2009 from general business taxpayers (except telephone companies) whose last year to pay tangible personal property tax is 2010. Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. These changes do not affect tangible personal property of public utilities. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation Revenue below).

Tangible personal property tax revenues include the actual October 2006 and an estimate by the Jefferson, Harrison and Carroll County Auditors of the June 2007 personal property tax settlement. Tangible personal property tax revenues are anticipated to decrease \$499,000 for the forecast period compared to the prior fiscal year. Fiscal year 2006 tangible personal property taxes included the Wal-Mart Distribution Center overpayment of their tangible personal property taxes in the amount of \$171,000 which accounts for a portion of the fiscal year 2007 decrease. The remaining loss is due to the loss of tax valuation for construction equipment being moved out of the School District, as well as the phase out of the tax.

Edison Local School District
Jefferson County
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

B. - Unrestricted Grants-in-Aid

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

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level has been set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2004. The per pupil amount for fiscal years 2004 to 2007 is as follows:

Fiscal Year	Per Pupil Foundation Level
2004	\$5,058
2005	5,169
2006	5,283
2007	5,403

The anticipated unrestricted grants-in-aid for fiscal year 2007 are based on current estimates provided by the Ohio Department of Education. The most recent estimates reported on the March school foundation statement for fiscal year 2007 and the amounts for the last three fiscal years are as follows:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecasted Fiscal Year 2007	Variance Increase (Decrease)
Formula Aid	\$5,683,000	\$5,467,000	\$5,340,000	\$5,103,000	(\$237,000)
Categorical Funding	440,000	405,000	392,000	421,000	29,000
Charge-Off Supplement	88,000	0	8,000	272,000	264,000
Transportation	879,000	859,000	857,000	874,000	17,000
Excess Costs	127,000	131,000	116,000	122,000	6,000
Parity Aid	515,000	645,000	618,000	496,000	(122,000)
Transitional Aid Guarantee	0	0	277,000	164,000	(113,000)
Reappraisal Guarantee	0	136,000	0	0	0
Foundation Adjustments	27,000	69,000	(31,000)	0	31,000
Total Unrestricted Grants-in-Aid	\$7,759,000	\$7,712,000	\$7,577,000	\$7,452,000	(\$125,000)

Formula Aid is anticipated to decrease due to a decrease in ADM of 106 students offset by an increase in the per pupil funding level. The School District will also receive \$164,000 in transitional aid guaranteed payments. The transitional aid guarantee insures that the School District will receive the same formula aid funding that was received in the prior fiscal year. Parity aid is revenue provided to districts which fall below the 80th percentile of the "per pupil wealth threshold." Parity Aid was phased in with the percentage of the distribution going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and 100 percent in fiscal year 2006. Parity aid reflects a decrease due to a decrease in the formula ADM.

Edison Local School District
Jefferson County
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

The intent of the charge-off supplement is to fill any gap that exists between the local revenue raised by a district and the amount the foundation formula assumes the district should raise to meet its local share of formula aid, special education and vocational education weighted aid and transportation aid. If a district's local revenue falls below the sum of the district's charge-off plus its assumed local share of special education and vocational education weighted aid and transportation aid, the State makes up the shortfall in charge-off supplement aid. The increase in the charge-off supplement is due to the increase in property tax values as a result of re-appraisals.

The excess cost supplement aid establishes a 3.3 mill limit on the district's share of combined funding for special education, vocational education and transportation. If the assumed local share of special and vocational weighted aid plus the assumed local share of transportation exceeds 3.3 mills times the district's recognized valuation, the State pays the difference as excess cost supplement aid.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance monies. The anticipated revenue for restricted grants-in-aid for fiscal year 2007 is based on estimates obtained from the Ohio Department of Education. For fiscal year 2007, the School District anticipates \$36,000 in bus purchase allowance monies. The School District expects to receive \$85,000 in career tech funding which is the same amount as received in the prior year. In addition, the School District anticipates \$766,000 in Poverty Based Assistance monies, an increase of \$161,000 from fiscal year 2006.

D. - Property Tax Allocation

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

The State exempted the first \$10,000 in personal property from taxation. The State reimburses 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 House Bill 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be 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 were enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as utility deregulation payments. For fiscal year 2007, the School District anticipates receiving public utility reimbursements in the amount of \$380,000 based on information provided by the Ohio Department of Taxation.

Beginning in fiscal year 2006, the State will reimburse 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

Edison Local School District
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Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Bill 66. Over the next seven years, the reimbursement is phased out. The reimbursement will be for the difference between the assessment values under prior law and the assessment 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.

Property tax allocation revenue, based on information provided by the Jefferson, Harrison, and Carroll County Auditors and the Department of Taxation, is anticipated to increase by \$80,000 in fiscal year 2007

E. - All Other Revenues

Presented below is a comparison of all other revenue for the last three fiscal years and the forecast period:

Revenue Sources	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Tuition	\$0	\$16,000	\$15,000	\$15,000	\$0
Classroom Fees	0	0	20,000	0	(20,000)
Pay to Participate	0	0	4,000	0	(4,000)
Interest on Investments	19,000	31,000	47,000	42,000	(5,000)
Preschool Transportation	81,000	29,000	0	10,000	10,000
21st Century Grant	6,000	0	0	0	0
Rentals	1,000	1,000	5,000	5,000	0
Open Enrollment	558,000	744,000	653,000	648,000	(5,000)
Other Revenue	32,000	33,000	27,000	34,000	7,000
Totals	<u>\$697,000</u>	<u>\$854,000</u>	<u>\$771,000</u>	<u>\$754,000</u>	<u>(\$17,000)</u>

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 recorded in the general fund. Classroom fees and pay to participate fees were implemented by the School District in fiscal year 2006, and are not being charged in fiscal year 2007. Open enrollment revenues are decreasing due to a decrease of nine students coming into the School District offset by an increase in the per pupil formula level. Interest on investments is anticipated to decrease due to a decrease in amounts available for investment.

F. - Other Financing Sources

During fiscal year 2007, the School District issued \$2,000,000 in tax anticipation notes. The notes were repaid during fiscal year 2007. In addition, the School District issued \$571,000 in various purpose bonds at a rate of 4.47 percent. Proceeds in the amount of \$253,000 were restricted and spent for the acquisition of school buses and proceeds in the amount of \$318,000 were restricted and spent for roof repairs. The proceeds of the bonds were receipted into the general fund and the expenditures for the school buses and roof repairs are reflected as expenditures in the general fund.

The forecast reflects the return of advances made in fiscal year 2006 to various state and federal grant funds in the amount of \$68,000. All Other Financing Sources in the amount of \$18,000 represents refunds of expenditures made in prior fiscal years and insurance reimbursements that have been received in fiscal year 2007.

Edison Local School District
 Jefferson County
 Summary of Significant Forecast Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2007

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payments for supplemental contracts, severance pay, medical waiver, student workers, and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels are at 278 full-time equivalents and are expected to remain at this level during the forecast period. A comparison of staffing levels by fiscal year is presented below:

	June 30 2004	June 30 2005	June 30 2006	January 2007
General Fund:				
Certified	191	183	176	165
Classified	122	120	114	113
Total General Fund	313	303	290	278

Certified (teaching) and classified staff salaries are based on negotiated contracts. The current certified contract covers the period July 1, 2004 to June 30, 2007. The current classified contract covers the period July 1, 2005 to June 30, 2008. For fiscal year 2007, the certified contract provided a one percent base increase, while the classified contract contained no base increase. Teaching staff are provided approximately ½ percent step increases with ½ percent educational level increases (columnar movement on the salary schedule). Classified staff are provided approximate one percent step increases. Administrative salaries are set by the Board of Education. Certified salaries for fiscal year 2007 are expected to decrease \$302,000 due primarily to the net reduction of 11.5 teaching positions which was offset by step increases, higher education increases, and the addition of one administrative position. Classified salaries are expected to increase \$37,000 due to step increase. The School District also anticipates an increase in the cost of summer workers due to the closing of an elementary building.

The School District anticipates the cost for substitutes to increase \$24,000 resulting from increased staff development programs implemented during fiscal year 2007 which required teaching staff to be out of the classroom for professional development activities.

Supplemental/extended service costs are expected to decrease by \$19,000 during fiscal year 2007. This decrease is primarily due to the reduction of extended service contracts in fiscal year 2007.

The School District offers a severance payment to retiring employees of the School District. The certified employees are paid one-fourth of their accumulated sick days paid at their current daily rate up to a maximum payment of one-fourth of 285 days, while classified employees receive 30 percent of their accumulated sick leave days paid at their current daily rate up to a maximum between 210 and 240 days depending on type of contract. The School District also provides an annual payment for all or a portion of accumulated unused vacation leave to administrative employees paid at the employee's current daily rate.

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Presented below is a comparison of salaries and wages for the last three fiscal years and the forecast period.

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Certified Salaries	\$7,135,000	\$7,093,000	\$7,090,000	\$6,788,000	(\$302,000)
Classified Salaries	1,613,000	1,650,000	1,691,000	1,728,000	37,000
Substitute Salaries	197,000	220,000	206,000	230,000	24,000
Supplemental/Extended Service	338,000	331,000	333,000	314,000	(19,000)
Severance/Vacation Pay	66,000	75,000	106,000	216,000	110,000
Other Salaries and Wages	88,000	100,000	73,000	109,000	36,000
Totals	<u>\$9,437,000</u>	<u>\$9,469,000</u>	<u>\$9,499,000</u>	<u>\$9,385,000</u>	<u>(\$114,000)</u>

B. Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, Medicare, workers' compensation, health care, and other insurance benefits arising from the negotiated agreements. Retirement costs are based on the employer's contribution rate of 14 percent of the salaries for STRS and SERS members. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. The School District pays the employees' retirement contributions for the superintendent, assistant superintendent, and treasurer. The increase of \$24,000 is primarily due to payments being based upon annual estimates submitted prior to the reduction in staff.

Health care costs are based on the monthly payments to the School District's self-insurance fund at rates recommended by the third party administrator and agreed to by the Board of Education. Health care plan rates are fixed for a twelve month period from July through June. The School District participates in a self-insured health plan (Ohio Mid-Eastern Educational Service Agency Self Insurance Plan – OME-RESA, a claims servicing pool) for medical, prescription drug, and dental coverages. The employees are also provided vision and life insurance benefits. Certified and classified employees pay \$4 per month for family coverage. The Board pays 100 percent of single health care benefits. Administrators pay 10 percent of the monthly health care benefits. The District is forecasting a \$992,000 increase in insurance. This increase is based on the School District making only 11 monthly payments during fiscal year 2006 and anticipates making 13 monthly payments during fiscal year 2007. The School District plans also reflect a 20 percent increase in rates as recommended by the third party administrator and agreed to by the Board of Education for fiscal year 2007.

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 prior to May or 45 percent prior to May with the remaining 55 percent due prior to September. The School District anticipates paying 45% of the premium by May as in prior years. As of the date of the forecast, the School District has paid all of the Workers' Compensation scheduled for payment in fiscal year 2007. In 2004 and 2005, the State Workers' Compensation System granted all local government employers a premium reduction of 20 percent.

Medicare contributions are 1.45 percent of the payroll costs for contributing staff.

Tuition reimbursements are offered to certified employees as provided for in the negotiated agreement.

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The agreement calls for a maximum tuition reimbursement during fiscal year 2007 of \$30,000.

Presented below is a comparison for the last three fiscal years and the forecast period:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Employer's Retirement	\$1,317,000	\$1,395,000	\$1,334,000	\$1,358,000	\$24,000
Insurance	3,265,000	3,340,000	2,872,000	3,864,000	992,000
Workers' Compensation	72,000	37,000	59,000	45,000	(14,000)
Medicare	80,000	84,000	88,000	102,000	14,000
Unemployment	1,000	1,000	9,000	9,000	0
Tuition Reimbursement	27,000	17,000	16,000	30,000	14,000
Totals	<u>\$4,762,000</u>	<u>\$4,874,000</u>	<u>\$4,378,000</u>	<u>\$5,408,000</u>	<u>\$1,030,000</u>

C. Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Professional and Technical Services	\$74,000	\$163,000	\$106,000	\$106,000	\$0
Property Services	251,000	232,000	214,000	245,000	31,000
Travel and Meeting Expenses	147,000	150,000	141,000	126,000	(15,000)
Communication Costs	23,000	32,000	27,000	31,000	4,000
Utility Services	425,000	459,000	532,000	527,000	(5,000)
Tuition - Outside Districts	28,000	54,000	48,000	43,000	(5,000)
Excess Costs	0	50,000	13,000	16,000	3,000
Open Enrollment	860,000	765,000	798,000	915,000	117,000
Community School Transfers	0	112,000	196,000	217,000	21,000
Miscellaneous Foundation Adjustments	0	27,000	53,000	38,000	(15,000)
Other Purchased Services	136,000	330,000	174,000	176,000	2,000
Totals	<u>\$1,944,000</u>	<u>\$2,374,000</u>	<u>\$2,302,000</u>	<u>\$2,440,000</u>	<u>\$138,000</u>

The increase in property services is due to higher basic maintenance costs offset by a decrease in insurance rates. Utility services are anticipated to decrease \$5,000 due to a slight decrease in heating costs and participation in the OME-RESA gas purchasing consortium. Open enrollment costs are anticipated to increase \$117,000 due to 28 additional students attending other districts. The community school transfers and miscellaneous foundation adjustments are based upon the most recent estimates from the Ohio Department of Education.

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D. Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
General Supplies	\$188,000	\$149,000	\$184,000	\$134,000	(\$50,000)
Instructional Supplies and Textbooks	183,000	137,000	105,000	202,000	97,000
Library Books and Periodical	23,000	24,000	14,000	9,000	(5,000)
Operations, Maintenance and Repair	296,000	352,000	414,000	369,000	(45,000)
Other Supplies and Materials	7,000	11,000	18,000	8,000	(10,000)
Totals	<u>\$697,000</u>	<u>\$673,000</u>	<u>\$735,000</u>	<u>\$722,000</u>	<u>(\$13,000)</u>

General Supplies are expected to decrease due to purchases in the prior fiscal year. Instructional supplies are anticipated to increase due to the purchase of new kindergarten through eighth grade science textbooks in fiscal year 2007. Library books, periodicals, and operational supplies and materials are anticipated to decrease due mainly to an effort by the School District to cut back spending.

E. Capital Outlay

The acquisition or construction of property, plant and equipment used for general governmental services is recorded as an expenditure. Capital outlay expenditures are anticipated to increase in fiscal year 2007 due to the repairs to the roof at the Stanton Middle and Gregg Elementary Schools. In addition, the School District purchased four new school buses. The School District issued \$571,000 in Various Purpose Bonds for the roof repairs and for the purchase of school buses.

F. Debt Service

During fiscal year 2007, the School District repaid a \$2,000,000 tax anticipation note with interest in the amount of \$25,000. In addition, the School District anticipates the payment of \$14,000 in interest on the five year general obligation bonds issued during fiscal year 2007.

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G. Other Objects

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

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Auditor of State Fees	\$30,000	\$27,000	\$27,000	\$42,000	\$15,000
Educational Service Center Fees	185,000	179,000	179,000	177,000	(2,000)
Auditor and Treasurer Fees	195,000	196,000	215,000	172,000	(43,000)
Liability Insurance	27,000	32,000	19,000	15,000	(4,000)
Miscellaneous Objects	6,000	4,000	14,000	7,000	(7,000)
Refund of Taxes	62,000	62,000	0	171,000	171,000
Totals	<u>\$505,000</u>	<u>\$500,000</u>	<u>\$454,000</u>	<u>\$584,000</u>	<u>\$130,000</u>

Other object expenditures consist of dues, fees, liability insurance, and county educational service center cost. The \$171,000 refund of taxes is a refund of the overpayment of tangible personal property taxes by the Wal-Mart Distribution Center. The Auditor of State fees increased due to a \$1,000 increase in the annual audit costs and \$14,000 for the examination of the School District's financial forecast. County Auditor and Treasurer fees reflect a decrease of \$43,000 due to the School District paying election costs in fiscal year 2006.

H. Other Financing Uses

The School District anticipates advancing \$45,000 to various grant funds during fiscal year 2007. In addition, the School District anticipates transfers to the food service, swim, and EMIS funds in the amount of \$112,000.

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.

The School District has had very limited encumbrances in prior fiscal years and anticipates \$100,000 of encumbrances at the end of fiscal year 2007.

Note 9 - Reservations of Fund Balance

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

Edison Local School District
 Jefferson County
 Summary of Significant Forecast Assumptions and Accounting Policies
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Per House Bill 66, the School District qualifies for a reduction or waiver of the textbook and capital set-aside requirements for fiscal year 2007 because of the declaration of Fiscal Watch. The School District anticipates the Board of Education to approve a resolution requesting the Ohio Department of Education's approval a waiver of the set aside amounts for fiscal year 2007. The forecast anticipates the approval of a Board resolution requesting the waiver and the Ohio Department of Education's agreement.

A. Textbooks and Instructional Materials Set-Aside

The School District had a carryover balance of \$403,000 from fiscal year 2006. The School District anticipates the approval of a waiver of fiscal year 2007 set-aside requirement. Therefore the qualifying disbursements made during fiscal year 2007 will reduce the carryover balance to \$115,000 at June 30, 2007.

B. Bus Purchases

The School District had a reserve for bus purchases of \$21,000 at June 30, 2006, and the School District is expecting to receive \$36,000 in a bus purchase allowance during fiscal year 2007. During fiscal year 2007, the School District purchased new buses from the proceeds of a bond issue and did not spend any of the State bus purchase allowance. Therefore, a \$57,000 reserve for bus purchases is forecasted.

C. Poverty Based Assistance

The School District anticipates receiving and spending \$766,000 in restricted Poverty Based Assistance monies during fiscal year 2007. Therefore, no reserve for is forecasted.

Note 10 - Levies

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

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

Note 11 - Pending Litigation

The School District is currently party to legal proceedings. The School District management is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Edison Local School District
Jefferson County
Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Note 12 – Edison Local Benefits Self-Insurance Fund

The School District provides medical/surgical, prescription drug, and dental benefits through a self-insured program. The third party (OME-RESA) administrator processes the claims. All funds make monthly payments to the self-insurance fund based on the number of employees and the type of coverage provided to each employee. Monthly charges per person for single and family participation in the program are recommended by the third party administrator. The self insured consortium provides stop loss coverage for individual claims from an internal stop loss pool for claims between \$35,000 and \$250,000, and purchases stop loss coverage for individual claims in excess of \$250,000 per person, per year. The consortium also purchases annual stop loss coverage for total plan claims in excess of \$70,396,193 per year in the aggregate. The School District anticipates the monthly payments from the contributing funds to be sufficient to cover the costs of claims and administrative costs for the fiscal year.

Note 13 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. The financial plan for the fiscal years 2007 through 2011 was filed on October 25, 2006 and is to be updated by March 31, 2007. The School District has not yet revised its five year plan taking into account current conditions and the Board of Education's anticipated course of action.



Mary Taylor, CPA
Auditor of State

EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 23, 2007