



Mary Taylor, CPA
Auditor of State

**East Liverpool City School District
Columbiana County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2008**

Local Government Services Section

**East Liverpool City School District
Columbiana County**

Financial Forecast

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Mary Taylor, CPA
Auditor of State

East Liverpool City School District
Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

Board of Education
East Liverpool City School District
500 Maryland Avenue
East Liverpool, Ohio 43920

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, 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 East Liverpool City School District, Columbiana County, Ohio, and issued a report dated February 15, 2008. 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 surplus for the fiscal year ending June 30, 2008 of \$3,044,000.

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 2009 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 2008.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

April 8, 2008



Mary Taylor, CPA

Auditor of State

Board of Education
East Liverpool City School District
500 Maryland Avenue
East Liverpool, Ohio 43920

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 15, 2008

East Liverpool City School District

Columbiana County

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2005 Through 2007 Actual;

For the Fiscal Year Ending June 30, 2008 Forecasted

General Fund

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Forecasted
Revenues				
General Property Tax	\$3,558,000	\$3,690,000	\$3,726,000	\$3,943,000
Tangible Personal Property Tax	525,000	385,000	448,000	299,000
Unrestricted Grants-in-Aid	16,319,000	16,188,000	16,204,000	16,105,000
Restricted Grants-in-Aid	1,558,000	1,530,000	1,569,000	1,548,000
Property Tax Allocation	675,000	661,000	716,000	867,000
All Other Revenues	1,481,000	1,040,000	1,026,000	835,000
<i>Total Revenues</i>	<u>24,116,000</u>	<u>23,494,000</u>	<u>23,689,000</u>	<u>23,597,000</u>
Other Financing Sources				
Tax Anticipation Note	0	1,600,000	750,000	0
Solvency Assistance Advance	201,000	0	0	0
Advances In	358,000	751,000	231,000	224,000
Operating Transfers In	23,000	2,000	3,000	3,000
<i>Total Other Financing Sources</i>	<u>582,000</u>	<u>2,353,000</u>	<u>984,000</u>	<u>227,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>24,698,000</u>	<u>25,847,000</u>	<u>24,673,000</u>	<u>23,824,000</u>
Expenditures				
Personal Services	13,489,000	11,992,000	11,659,000	10,630,000
Employees' Retirement/Insurance Benefits	5,889,000	5,302,000	5,092,000	4,886,000
Purchased Services	3,621,000	3,582,000	4,393,000	4,719,000
Supplies and Materials	398,000	499,000	390,000	645,000
Capital Outlay	72,000	59,000	207,000	259,000
Debt Service:				
Principal - Solvency Assistance Advance	1,303,000	1,404,000	101,000	0
Principal - HB 264 Loan	91,000	96,000	100,000	26,000
Principal - Revenue Anticipation Note	0	1,600,000	750,000	0
Interest	14,000	58,000	35,000	0
Other Objects	337,000	272,000	242,000	344,000
<i>Total Expenditures</i>	<u>25,214,000</u>	<u>24,864,000</u>	<u>22,969,000</u>	<u>21,509,000</u>
Other Financing Uses				
Operating Transfers Out	144,000	160,000	16,000	46,000
Advances Out	507,000	572,000	283,000	353,000
All Other Financing Uses	149,000	0	0	0
<i>Total Other Financing Uses</i>	<u>800,000</u>	<u>732,000</u>	<u>299,000</u>	<u>399,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>26,014,000</u>	<u>25,596,000</u>	<u>23,268,000</u>	<u>21,908,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,316,000)</u>	<u>251,000</u>	<u>1,405,000</u>	<u>1,916,000</u>
Cash Balance July 1	1,418,000	102,000	353,000	1,758,000
Cash Balance June 30	102,000	353,000	1,758,000	3,674,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	283,000	332,000	449,000	567,000
Reservations of Fund Balance for:				
Textbooks	557,000	322,000	0	0
Bus Purchase	56,000	73,000	39,000	63,000
DPIA/Poverty Based Assistance	0	95,000	209,000	0
Total Encumbrances and Reserves of Fund Balance	<u>896,000</u>	<u>822,000</u>	<u>697,000</u>	<u>630,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$794,000)</u>	<u>(\$469,000)</u>	<u>\$1,061,000</u>	<u>\$3,044,000</u>

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

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

Note 1 – The School District

The East Liverpool City School District (School District) is located in Columbiana County and encompasses all of the City of East Liverpool, all of Liverpool Township and a portion of Saint Clair Township. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates five instructional buildings, an administrative building and a bus garage. The School District is staffed by 105 non-certified, 174 certificated and 19 administrative personnel to provide services to 2,308 students.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the East Liverpool 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 February 15, 2008, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

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

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the 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.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

B. - Fund Accounting

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies 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 cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

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 year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

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

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

Note 5 - General Operating Assumptions

The East Liverpool City 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 property, public utility real and personal property, manufactured homes and tangible personal property used in businesses which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the 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 revenue received during calendar year 2007 (the collection year) for real and public utility property taxes represents collections of 2006 taxes (the tax year). Property tax payments received during calendar year 2007 for tangible personal property (other than public utility property) are for calendar year 2007 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

East Liverpool City School District
Columbiana County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2008

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation". Beginning in tax year 2005 collection year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. The change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2009 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 2008.

The property tax revenues for the general fund are generated from several levies. The 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 Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$4.20
Continuing Operating	1976	n/a	16.40
Continuing Operating	1996	n/a	7.00
Emergency	2005	2010	6.50
Total Tax Rate			<u>\$34.10</u>

The School District also has levies for bonded debt and school facilities maintenance totaling \$2.30 per \$1,000 of assessed valuation. The School District's total rate is \$36.40 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility 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 for collection year 2008, and the effective commercial and industrial real property tax rate is \$23.91 per \$1,000 of assessed valuation for collection year 2008. 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.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, HB 66 switched telephone companies from being public utilities to general business taxpayers and began a four year 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 calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue is based upon information provided by the Columbiana County Auditor. The School District anticipates an increase of \$217,000 from the prior fiscal year due to increases in assessed valuation for fiscal year 2008 from a County-wide update and the School District being at the 20 mill floor for residential and agricultural real property.

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 property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66 will phase out by 25 percent each year tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period, will lose approximately \$590,000 annually when the tangible personal property tax is completely phased out in 2009. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Property Tax Allocation below).

Tangible personal property tax revenues include actual October 2007 and the estimated June 2008 personal property tax settlements. The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes coupled with the delinquent collections of \$86,000 in the prior fiscal year.

East Liverpool City School District
Columbiana County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2008

B. - Unrestricted Grants-in-Aid

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

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills times the school district's taxable property valuation. In prior years, the per pupil foundation amount was increased by a regional cost of doing business factor. The cost of doing business factor was phased out over three years beginning in fiscal year 2006. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2005. The per pupil foundation level for fiscal years 2005 through 2008 is as follows:

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

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

	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecasted Fiscal Year 2008	Variance
Formula Aid	\$11,886,000	\$11,873,000	\$11,873,000	\$10,806,000	(\$1,067,000)
Categorical Funding	1,474,000	1,473,000	1,609,000	1,655,000	46,000
Equity Aid	190,000	0	0	0	0
Transportation	599,000	619,000	630,000	635,000	5,000
Excess Cost Supplement	136,000	109,000	27,000	92,000	65,000
Parity Aid	1,958,000	1,932,000	1,829,000	1,946,000	117,000
Reappraisal Guarantee	0	113,000	0	0	0
Transitional Aid Guarantee	0	0	236,000	982,000	746,000
Foundation Adjustments	76,000	69,000	0	(11,000)	(11,000)
Totals	\$16,319,000	\$16,188,000	\$16,204,000	\$16,105,000	(\$99,000)

Formula aid is anticipated to decrease significantly from the decline in ADM of 73 offset by an increase in per pupil funding. Categorical funding increased due an increase special education and weighted aid. Parity aid increased due to the School District's local wealth per pupil falling below the local wealth amount of 410. Only the school districts with the lowest local wealth per pupil, those districts ranked

East Liverpool City School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008

below 410, receive parity aid. Equity aid was phased out each year through fiscal year 2005. The increase in transitional aid guarantee, which ensures that the School District will receive at least the same amount of base formula aid as the prior fiscal year, resulted from the School District losing \$961,000 in formula aid guarantee add on funding from the prior fiscal year. The formula aid guarantee was eliminated for fiscal year 2008.

The reappraisal guarantee safeguarded the School District from a decrease in State funding due to increases in local property valuations that result from an update or reappraisal.

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

Foundation adjustments represents the difference between the final settlement and a recalculation of the prior year's SF3 which takes into account corrections for ADM and open enrollment, community school adjustments and other items.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance/DPIA monies. For fiscal year 2008, the School District anticipates \$24,000 in bus purchase allowance monies, \$232,000 in career tech monies and \$1,292,000 in Poverty Based Assistance which replaced the DPIA program. A \$21,000 decrease is anticipated from the prior year due to decreases in career tech monies and bus purchase allowance offset by an increase Poverty Based Assistance monies.

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 tax year 2005, the State eliminated the ten percent rollback on commercial and industrial real property and the corresponding reimbursement to local governments. This change decreased property tax allocation and increased the collection of property taxes on commercial and industrial property.

The State exempts the first \$10,000 in general business personal property from taxation and reimburses the School District for the lost revenue. In 2004, the State began phasing out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement 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 have been enacted, a kilowatt-hour tax on electricity and

East Liverpool City School District
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 For the Fiscal Year Ending June 30, 2008

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 2008, the School District anticipates no public utility reimbursements based on information provided by the Ohio Department of Taxation.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, beginning in fiscal year 2012, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2008, the School District anticipates receiving \$279,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecasted Fiscal Year 2008	Variance
Homestead and Rollback	\$591,000	\$541,000	\$502,000	\$568,000	\$66,000
Tangible Personal					
Property Exemption	50,000	32,000	21,000	20,000	(1,000)
Utility Deregulation	34,000	52,000	0	0	0
Tangible Personal Property					
Loss Reimbursement	0	36,000	193,000	279,000	86,000
Totals	<u>\$675,000</u>	<u>\$661,000</u>	<u>\$716,000</u>	<u>\$867,000</u>	<u>\$151,000</u>

E. - All Other Revenues

All other revenues include tuition, open enrollment, Midland tuition, transportation, interest on investments, education fees, rental, other receipt, and the refund of prior year expenditures.

The School District receives tuition for students from Midland, Pennsylvania who attend the East Liverpool City School District, as well as from open enrollment. The decrease in the Midland tuition is due to fewer students attending the School District. Open enrollment tuition is decreasing due to fewer open enrollment students attending the School District.

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

In fiscal year 2007, other revenue included a school bus reimbursement, OSBA reimbursement for legal assistance, and a grant reimbursement for a substitute teacher for a cumulative amount of \$78,000. These reimbursements will not reoccur in fiscal year 2008.

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In fiscal year 2005, the School District received insurance proceeds and Federal Emergency Management Agency grant monies for the loss of and damage to school property due to flooding that is categorized as proceeds from loss of capital assets.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecast Fiscal Year 2008	Variance Increase (Decrease)
Tuition	\$20,000	\$22,000	\$11,000	\$15,000	\$4,000
Open Enrollment Tuition	629,000	564,000	551,000	507,000	(44,000)
Midland Tuition	286,000	183,000	99,000	47,000	(52,000)
Transportation	11,000	6,000	10,000	30,000	20,000
Interest on Investments	46,000	95,000	184,000	140,000	(44,000)
Education Fees	21,000	23,000	18,000	20,000	2,000
Rentals	10,000	7,000	11,000	9,000	(2,000)
Other Revenue	58,000	106,000	130,000	55,000	(75,000)
Donations	3,000	3,000	5,000	4,000	(1,000)
Payments in Lieu of Taxes	11,000	7,000	0	0	0
Proceeds from Loss of Capital Assets	320,000	0	4,000	5,000	1,000
Refund of Prior Year Expenditures	66,000	24,000	3,000	3,000	0
Totals	\$1,481,000	\$1,040,000	\$1,026,000	\$835,000	(\$191,000)

F. - Other Financing Sources

Proceeds from Sale of Notes – In fiscal years 2006 and 2007, the School District issued \$1,600,000 and \$750,000, respectively, in tax anticipation notes. The notes were repaid in the fiscal year in which they were issued. The School District does not anticipate issuing any more notes during the forecast period.

Solvency Assistance Advance – During fiscal years 2004 and 2005, the School District received Solvency Assistance Fund Advances in the amounts of \$2,606,000 and \$201,000, respectively, from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advances are repaid over two years from State foundation revenues and are interest free.

Transfers and Advances In – For fiscal year 2008, the School District is anticipating \$3,000 in transfers in and repayment of \$224,000 in advances being returned from other School District funds.

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 bonus, insurance opt out, and all other bonuses. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. General Fund staffing levels for the last three fiscal years are as follows:

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	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
General Fund:			
Certified	188	186	162
Classified	82	78	74
Total General Fund	270	264	236
Other Funds:			
Certified	34	23	24
Classified	34	29	38
Total Other Funds	68	52	62
Total Employees	338	316	298

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The contract covers the period August 1, 2006 to June 30, 2009, and allows for one percent increases in the base salary in fiscal years 2007 and 2008 and a two percent in fiscal year 2009. Step increases range from 4.5 to 6 percent for the period covered. Certified salaries are forecasted to decrease due to staff reductions of 24 certified positions that were accomplished at the start of the 2007-2008 school year.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2006 to June 30, 2008. The contract allowed a one percent increase in the base salary for all non-union employees (administrators, supervisors, non-union secretaries and cafeteria managers) for the 2007-2008 school year and retroactively for the 2006-2007 school year, except for the Superintendent. Step increases range from 0 to 6 percent for the period covered. Classified salaries are forecasted to decrease due to staff reductions of 4 classified positions that were accomplished at the start of the 2007-2008 school year.

Substitute salaries are expected to decrease by \$18,000 during the forecast period due to fewer positions needing substitutes than during fiscal year 2007.

Supplemental contracts are expected to increase by \$11,000 during the forecast period due to the School District trying to fill previously vacant positions as its financial position improves.

The School District offers severance pay upon retirement to certified and classified employees with at least five years of service in the School District. Payments for certified and classified employees are one-third of the first ninety days of accumulated sick leave plus ten percent of all days beyond the first ninety. Payment is based on the daily rate of pay at retirement. Severance costs are anticipated to increase due to the retirement of 20 members during the forecast period compared with the retirement of 11 staff members during fiscal year 2007.

The School District offers a retirement incentive bonus of \$10,000 to certified employees with 20 or more years of service. The payment is made in two equal payments in June of consecutive years after retirement. The incentive is anticipated to decrease due to a reduction in personnel accepting the retirement incentive. For fiscal year 2008, six employees are receiving their second payment while 13 will be receiving the first payment.

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The School District offers an incentive for those employees not taking health care, a professional growth bonus, and an attendance bonus for its employees. The amount of these bonuses is anticipated to remain relatively stagnant as the number of certified and classified employees that are taking part in these programs in fiscal year 2008 varies little from the 2007 number.

Presented below is a comparison of salaries and wages for fiscal years 2005, 2006, 2007 and the forecast period.

	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecast Fiscal Year 2008	Variance Increase (Decrease)
Certified Salaries	\$10,588,000	\$9,356,000	\$9,043,000	\$8,106,000	(\$937,000)
Classified Salaries	2,002,000	1,784,000	1,792,000	1,645,000	(147,000)
Substitute Salaries	293,000	302,000	321,000	303,000	(18,000)
Supplemental Contracts	189,000	170,000	171,000	182,000	11,000
Severance Pay	139,000	132,000	99,000	169,000	70,000
Retirement Incentive Bonus	85,000	85,000	105,000	95,000	(10,000)
Insurance Opt Out and Bonuses	181,000	151,000	118,000	118,000	0
Other Salaries and Wages	12,000	12,000	10,000	12,000	2,000
Totals	<u>\$13,489,000</u>	<u>\$11,992,000</u>	<u>\$11,659,000</u>	<u>\$10,630,000</u>	<u>(\$1,029,000)</u>

B. – Employees’ Retirement/Insurance Benefits

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

Retirement costs are based on the employers’ contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and actuals are prorated over the next calendar year. The School District pays the employee retirement contributions for its superintendent and treasurer and one percent of the employee retirement contributions for all other administrators. The decrease that appears on the schedule below is due to a decrease in certified and classified salaries.

Health care costs are based on rates negotiated by the Board of Education with Medical Mutual of Ohio. All funds are charged for the number of employees participating in the program and the type of coverage (single or family) provided to each employee. The health care program includes medical, prescription drug, dental care, and vision.

Health care premiums are fixed for a twelve month period from October through September. The monthly payments for health care benefits are as follows:

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<u>Coverage:</u>	<u>Effective October 1, 2005</u>	<u>Effective October 1, 2006</u>	<u>Effective October 1, 2007</u>
Family	\$1,179.01	\$1,365.40	\$1,398.24
Single	475.81	551.06	564.34

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May as in prior years. The premium for calendar year 2007, due in May 2008, increased to \$1.03 per hundred dollars of payroll from \$.96 per hundred dollars of payroll for 2006.

The School District anticipates paying unemployment benefits of \$21,000 during fiscal year 2008, a \$2,000 decrease from the prior year. This decrease is due to fewer reductions in staff compared to fiscal year 2007.

Presented below is a comparison of fiscal years 2005, 2006, 2007 and the forecast period:

	<u>Actual Fiscal Year 2005</u>	<u>Actual Fiscal Year 2006</u>	<u>Actual Fiscal Year 2007</u>	<u>Forecast Fiscal Year 2008</u>	<u>Variance Increase (Decrease)</u>
Employer's Retirement	\$2,133,000	\$1,738,000	\$1,593,000	\$1,563,000	(\$30,000)
Health Care/Life Insurance	3,488,000	3,213,000	3,242,000	3,067,000	(175,000)
Workers' Compensation	119,000	109,000	110,000	116,000	6,000
Medicare	108,000	98,000	98,000	93,000	(5,000)
Unemployment	8,000	122,000	23,000	21,000	(2,000)
Tuition Reimbursement	33,000	22,000	26,000	26,000	0
Totals	<u>\$5,889,000</u>	<u>\$5,302,000</u>	<u>\$5,092,000</u>	<u>\$4,886,000</u>	<u>(\$206,000)</u>

C. - Purchased Services

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

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	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecast Fiscal Year 2008	Variance Increase (Decrease)
Professional and Technical Services	\$347,000	\$279,000	\$509,000	\$610,000	\$101,000
Property Services	402,000	273,000	278,000	289,000	11,000
Travel and Meeting Expenses	14,000	8,000	11,000	45,000	34,000
Communication Costs	49,000	50,000	55,000	51,000	(4,000)
Utility Services	490,000	502,000	536,000	570,000	34,000
Tuition Payments	1,202,000	1,142,000	1,586,000	1,624,000	38,000
Open Enrollment	1,115,000	1,324,000	1,401,000	1,527,000	126,000
Pupil Transportation	2,000	4,000	2,000	3,000	1,000
Totals	\$3,621,000	\$3,582,000	\$4,378,000	\$4,719,000	\$341,000

Professional and technical services and travel and meeting expenses are forecasted to increase due to restoring professional development in the School District. The increase in professional and technical services is partially offset by the lower cost of the School District's contract with ACCESS for computer services. Utility services are forecasted to increase due to an increase in consumption and the rising cost of natural gas and electric. The tuition payments are increasing due to an increase in payments to community schools combined with an increase in tuition paid directly to other districts. Open enrollment is forecasted to increase due to the number of students that left for the 2007/2008 school year.

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 2005	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Forecast Fiscal Year 2008	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$144,000	\$123,000	\$153,000	\$336,000	\$183,000
Operations, Maintenance and Repair	193,000	240,000	219,000	251,000	32,000
Textbooks	61,000	136,000	18,000	58,000	40,000
Totals	\$398,000	\$499,000	\$390,000	\$645,000	\$255,000

General supplies, library books and periodicals are forecasted to increase due to the School District needing to replenish depleted levels and to replace outdated materials as the financial situation improves. Operations, maintenance and repair is anticipated to increase due to the cost of diesel fuel and from necessary repairs required on existing school buildings. The increase in textbooks 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.

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E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. The increase of \$52,000 from fiscal year 2007 is due to the School District's plan to purchase new equipment and make much needed upgrades to the existing equipment in fiscal year 2008. Planned equipment purchases include buying computers, landscaping, office equipment, commercial art, and power equipment, among other identified needed items. Prior fiscal year capital outlay expenditures included the purchase of computer equipment and a bus.

F. - Debt Service

At June 30, 2007, the School District's only outstanding general fund supported debt consisted of an energy conservation note with a balance of \$26,000. This loan was retired in full in September 2007. The School District issued the energy conversation notes for the purpose of lighting and window replacement throughout the School District. These notes were repaid with property taxes over a ten year period.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. The \$102,000 increase is due primarily to an increase in audit costs and reimbursement of bond issuance costs incorrectly paid from the classroom facilities fund in a prior period. The cost includes audits for fiscal years 2005 through 2007.

H. - Operating Transfers and Advances Out

Transfers out of \$46,000 are anticipated during fiscal year 2008 to the Food Service fund.

The School District is forecasting advances out in fiscal year 2008 in the amount of \$353,000 due to the timing of the receipt of grant monies to the various funds. The general fund provides temporary funding of the program until the grant dollars are received.

I. - All Other Financing Uses

During fiscal year 2005, the School District returned unused Title VI-B grant money from fiscal year 2001 and Title I grant monies from fiscal year 2000 totaling \$149,000 to the Ohio Department of Education. The School District does not anticipate the return of any other unspent funds.

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 have been increasing at an average rate of 26 percent over the past three years. Encumbrances for fiscal year 2008 are anticipated to increase by the same amount.

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Note 9 - Reservations of Fund Balance

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

A. - Textbooks and Instructional Materials Set-Aside

The set aside amount required for fiscal year 2008 is \$396,000. The School District had \$110,000 in excess of qualified expenditures from fiscal year 2007. The School District anticipates \$394,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is forecasted for textbook and instructional materials.

B. - Capital and Maintenance Set-Aside

The set aside amount for fiscal year 2008 is \$396,000. The School District anticipates \$487,000 in offsets and \$256,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is forecasted for capital acquisition and improvements.

C. - Bus Purchases

At June 30, 2007, the School District had \$39,000 in unspent bus monies. The School District anticipates a \$24,000 bus purchase allowance during fiscal year 2008. The School District does not anticipate purchasing a new bus in fiscal year 2008, leaving a reserve balance of \$63,000 forecasted for bus purchases.

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

At June 30, 2007, the School District had \$209,000 in unspent Poverty Based Assistance monies. The School District anticipates receiving \$1,284,000 in restricted Poverty Based Assistance monies during fiscal year 2008. The School District anticipates spending \$1,493,000 of the Poverty Based Assistance funding during the current fiscal year. Therefore, no reserve amount is forecasted for Poverty Based Assistance.

Note 10 - Levies

Since 1996, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

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<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
August 1996	Continuing	7.00 mills	Continuing	Failed
November 1996	Continuing	7.00 mills	Continuing	Passed
November 1997	Permanent Improvement	2.00 mills	5 Years	Passed
November 1998	Bond Issue	2.62 mills	23 Years	Failed
February 1999	Bond Issue	2.62 mills	23 Years	Failed
May 1999	Bond Issue	2.98 mills	23 Years	Failed
November 1999	Income Tax Issue	0.75 mills	Continuing	Failed
March 2000	Renewal - Emergency	\$1,058,000	5 Years	Passed
May 2002	Bond Issue	\$7,900,000	26 Years	Passed
November 2004	Renewal - Emergency	\$1,058,000	5 Years	Failed
August 2005	Emergency	\$2,024,000	5 Years	Failed
November 2005	Renewal - Emergency	\$1,058,000	5 Years	Passed

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Financial Planning and Supervision Commission

On December 18, 2003, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Mayor of the City of East Liverpool. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must in accordance with the plan.

The financial recovery plan was adopted on March 24, 2004 and under State law is to be updated annually. The recovery plan included the reduction of 43.5 staff members from the general fund for fiscal year 2005. The Commission issued a revised plan on June 13, 2005. The revised plan includes the reduction of 59.5 staff members for fiscal year 2006. The Commission issued a second revised plan on June 13, 2006. The second revised plan includes the reduction of 9 staff members for fiscal year 2007. A third revised plan was issued on June 25, 2007 and includes the elimination of 8 School District programs and 12 additional classified positions and 21 additional certified positions.

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. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan assumes the continued operation of the School District with no significant increases in

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revenues. The plan also assumes staff reductions of 33 employees for fiscal year 2008 and no staff changes for 2009 through 2012. The School District anticipates positive cash balances for each year of the plan and a positive cash balance of \$3,504,000 at the end of fiscal year 2012. The recovery plan adopted by the Board of Education and the Financial Planning and Supervision Commission does not address periods beyond fiscal year 2008.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



Mary Taylor, CPA
Auditor of State

EAST LIVERPOOL 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
APRIL 8, 2008**