



**Auditor of State  
Betty Montgomery**

**Trimble Local School District  
Athens County, Ohio**

**Financial Forecast  
For the Fiscal Years Ending June 30, 2003  
Through June 30, 2007**

**Local Government Services Division**



Trimble Local School District  
Athens County, Ohio

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**Auditor of State  
Betty Montgomery**

Financial Planning and Supervision Commission  
Ohio Department of Education  
25 South Front Street  
Columbus, Ohio 43215

and

Board of Education  
Trimble Local School District  
1 Tomcat Drive  
Glouster, Ohio 45732

**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 Trimble Local School District (the School District), Athens County, Ohio. 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 variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2003 of \$379,000. The School District has no required cash reserves.

Governor Bob Taft has proposed an across the board reduction in state aid to school districts of 2.5 percent to take affect during the remainder of the fiscal year. Should this cut take place, Southern Local School District would lose approximately \$156,000 which would further increase the deficit.

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 2004 scheduled property tax settlements. The potential property tax advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing any advances. Currently, it is the School District Board's intent not to appropriate any such advances for fiscal year 2003.

Each School District receiving certification of an operating deficit under Section 3316.08, Revised Code, is required to place a tax levy on the ballot. The forecasted tax revenues exclude any revenue that might be generated from this tax since the levy has not yet been approved by the voters within the School District.

Peter R. Sorem  
Chief of Local Government Services

March 6, 2003

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**Auditor of State  
Betty Montgomery**

Board of Education  
Trimble Local School District  
1 Tomcat Drive  
Glouster, Ohio 45732

**Independent Accountant's Report**

We have examined the accompanying forecasted schedule of revenues, expenditures, and changes in fund balance of the general fund of the Trimble Local School District for the fiscal years ending June 30, 2003 through 2007. The Trimble 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 management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying financial forecast has been prepared assuming the Trimble Local School District will continue as a going concern. The School District has experienced recurring general fund operating deficiencies, decreases in the unencumbered fund balance, and has borrowed against future revenues to finance its operations. In addition, the School District was declared in Fiscal Emergency status (See Note 12) on January 31, 2001, obtained a solvency assistance advance of \$945,000 to finance fiscal year 2001 operations, and has not requested voter approval for additional general fund operating levies. The financial forecast does not include any adjustments that might result from the outcome of this uncertainty.

The financial statements for the years ended June 30, 2000, 2001, and 2002 were audited by the Auditor of State's Office and included an unqualified opinion on those financial statements in reports dated January 9, 2001, December 27, 2001, and December 11, 2002, respectively. The opinion letter on the June 30, 2002 financial statements included a going concern issue. We have not performed any auditing procedures since.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery  
Auditor of State

January 30, 2003

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**Trimble Local School District**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
For The Fiscal Years Ended June 30, 2000, 2001 and 2002 Actual;  
Fiscal Years Ending June 30, 2003 through June 30, 2007 Forecasted  
General Fund

	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual	Fiscal Year 2002 Actual
<b>Revenues</b>			
General Property Tax (Real Estate)	\$466,000	\$430,000	\$435,000
Tangible Personal Property Tax	18,000	13,000	71,000
Income Tax	4,000	0	1,000
Unrestricted Grants-in-Aid	5,016,000	5,106,000	5,390,000
Restricted Grants-in-Aid	364,000	496,000	674,000
Property Tax Allocation	79,000	76,000	84,000
All Other Revenues	193,000	154,000	349,000
<b>Total Revenues</b>	<b>6,140,000</b>	<b>6,275,000</b>	<b>7,004,000</b>
<b>Other Financing Sources</b>			
Proceeds from the School Solvency Assistance Fund	0	945,000	0
Advances In	1,000	37,000	14,000
Other Financing Sources	0	0	0
<b>Total Other Financing Sources</b>	<b>1,000</b>	<b>982,000</b>	<b>14,000</b>
<b>Total Revenues and Other Financing Sources</b>	<b>6,141,000</b>	<b>7,257,000</b>	<b>7,018,000</b>
<b>Expenditures</b>			
Personal Services	4,076,000	4,219,000	4,253,000
Employees' Retirement/Insurance Benefits	1,395,000	1,469,000	1,683,000
Purchased Services	441,000	410,000	403,000
Supplies and Materials	173,000	150,000	166,000
Capital Outlay	56,000	70,000	17,000
Debt Service:			
Principal	54,000	0	473,000
Interest and Fiscal Charges	3,000	0	0
Other Objects	181,000	247,000	242,000
<b>Total Expenditures</b>	<b>6,379,000</b>	<b>6,565,000</b>	<b>7,237,000</b>
<b>Other Financing Uses</b>			
Operating Transfers Out	47,000	70,000	18,000
Advances Out	60,000	0	1,000
<b>Total Other Financing Uses</b>	<b>107,000</b>	<b>70,000</b>	<b>19,000</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>6,486,000</b>	<b>6,635,000</b>	<b>7,256,000</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(345,000)	622,000	(238,000)
Cash Balance July 1	485,000	140,000	762,000
Cash Balance June 30	140,000	762,000	524,000
Less:			
Estimated Encumbrances June 30	5,000	15,000	65,000
Reservations of Fund Balance:			
Textbooks and Instructional Materials	39,000	12,000	53,000
Bus Purchase	0	0	99,000
Budget Reserve	66,000	33,000	0
<b>Total Encumbrances and Reservations of Fund Balance</b>	<b>110,000</b>	<b>60,000</b>	<b>217,000</b>
<b>Unencumbered/Unreserved Fund Balance/(Deficit) June 30</b>	<b>\$30,000</b>	<b>\$702,000</b>	<b>\$307,000</b>

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



Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted	Fiscal Year 2006 Forecasted	Fiscal Year 2007 Forecasted
\$531,000	\$560,000	\$569,000	\$577,000	\$587,000
72,000	72,000	72,000	73,000	73,000
4,000	0	0	0	0
5,276,000	5,176,000	5,072,000	4,970,000	4,870,000
892,000	1,191,000	1,481,000	1,758,000	1,806,000
87,000	90,000	94,000	98,000	99,000
345,000	315,000	320,000	325,000	331,000
<u>7,207,000</u>	<u>7,404,000</u>	<u>7,608,000</u>	<u>7,801,000</u>	<u>7,766,000</u>
0	0	0	0	0
0	0	0	0	0
1,000	0	0	0	0
<u>1,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>7,208,000</u>	<u>7,404,000</u>	<u>7,608,000</u>	<u>7,801,000</u>	<u>7,766,000</u>
4,520,000	4,444,000	4,510,000	4,575,000	4,641,000
1,943,000	2,123,000	2,055,000	2,330,000	2,654,000
498,000	479,000	496,000	493,000	510,000
357,000	237,000	246,000	254,000	263,000
64,000	51,000	51,000	51,000	51,000
472,000	0	0	0	0
0	0	0	0	0
242,000	242,000	242,000	242,000	242,000
<u>8,096,000</u>	<u>7,576,000</u>	<u>7,600,000</u>	<u>7,945,000</u>	<u>8,361,000</u>
15,000	15,000	15,000	15,000	15,000
0	0	0	0	0
15,000	15,000	15,000	15,000	15,000
<u>8,111,000</u>	<u>7,591,000</u>	<u>7,615,000</u>	<u>7,960,000</u>	<u>8,376,000</u>
(903,000)	(187,000)	(7,000)	(159,000)	(610,000)
<u>524,000</u>	<u>(379,000)</u>	<u>(566,000)</u>	<u>(573,000)</u>	<u>(732,000)</u>
<u>(379,000)</u>	<u>(566,000)</u>	<u>(573,000)</u>	<u>(732,000)</u>	<u>(1,342,000)</u>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(\$379,000)</u>	<u>(\$566,000)</u>	<u>(\$573,000)</u>	<u>(\$732,000)</u>	<u>(\$1,342,000)</u>

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2003 through 2007**

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**Note 1 - Nature and Limitations of the Forecast**

This financial forecast presents, to the best of the Trimble 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 January 30, 2003, 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 2 - Nature of the Presentation**

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

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA) and textbook subsidy funds and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 2000, 2001 and 2002. These differences are as follows:

	<u>Fiscal Year 2000</u>	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$5,675,000	\$6,800,000	\$6,098,000
Removal of Intrafund Transfers	(12,000)	0	0
DPIA	480,000	463,000	449,000
Debt Service Activity Related to General Fund			
Supported Debt	0	0	472,000
Funds Combined with General Fund for Reporting Purposes	<u>(2,000)</u>	<u>(6,000)</u>	<u>(1,000)</u>
Total Revenues and Other Sources per Forecast	<u>6,141,000</u>	<u>7,257,000</u>	<u>7,018,000</u>
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	6,024,000	6,189,000	6,402,000
Removal of Intrafund Transfers	(12,000)	0	0
Encumbrances	(5,000)	(15,000)	(65,000)
DPIA	480,000	463,000	449,000
Debt Service Activity Related to General Fund			
Supported Debt	0	0	472,000
Funds Combined with General Fund for Reporting Purposes	<u>(1,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>
Total Expenditures and Other Uses per Forecast	<u>6,486,000</u>	<u>6,635,000</u>	<u>7,256,000</u>

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2003 through 2007**

	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(\$345,000)	\$622,000	(\$238,000)
Cash Fund Balance at Beginning of Fiscal Year	485,000	140,000	762,000
Cash Fund Balance at End of Fiscal Year	140,000	762,000	524,000
Encumbrances at Fiscal Year End	(5,000)	(15,000)	(65,000)
Unencumbered Fund Balance at Fiscal Year End	<u>\$135,000</u>	<u>\$747,000</u>	<u>\$459,000</u>

**Note 3 - 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.

**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 constraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Funds**

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

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

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

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2003 through 2007**

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

**Proprietary Funds**

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary Funds**

Trust and Agency Funds – Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) non-expendable trust funds, and (b) 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. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - A tax budget of estimated cash receipts and disbursements is submitted to the Athens 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.

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2003 through 2007**

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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 4 - General Operating Assumptions**

The Trimble Local School District will continue to operate its instructional program in accordance with its adopted or to be 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 5 - Significant Assumptions for Revenues and Other Financing Sources**

**A. General and Tangible Personal Property Taxes**

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Athens County Auditor as the tax is collected. When 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.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the anticipated reimbursement is presented in the schedule as "property tax allocation."

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the calendar year are recorded as revenue in next fiscal year. New and/or expiring levies result in approximately one-half of the annual revenue being recorded in the first and/or last year of collection.

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

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Last Year of Collection</u>	<u>Full Tax Rate (Mills)</u>
Inside Millage	n/a	n/a	\$3.90
Continuing Operating	1972	n/a	4.00
Continuing Operating	1973	n/a	6.90
Continuing Operating	1973	n/a	0.50
Continuing Operating	1974	n/a	7.00
Current Operating	1976	n/a	5.10
Total Tax Rate			<u>\$27.40</u>

The School District also has levies for bonded debt and for maintenance of classroom facilities totaling 5.52 mills.

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 authorized voted levies so that each levy

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2003 through 2007**

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yields the same amount of property taxes as in the year in which the levy was approved. Increases to voted levy revenues are restricted to assessments for new construction. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. The effective residential and agricultural rate, as well as the commercial and industrial rate is 25.52 mills. State law prevents reduction factors from reducing effective millage below 20.

General Property Tax (Real Estate) - General property tax (real estate) revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Athens County Auditor. The School District anticipates receiving \$531,000 in real estate tax revenue in fiscal year 2003, an increase of \$96,000 from the previous fiscal year. The estimated increase is attributable to the sexennial revaluation for all of Athens County. Property valuation in the School District increased from \$27,600,000 to \$34,900,000. The revaluation took place in calendar year 2002 and will affect the calendar year 2003 settlements.

The amounts forecasted for fiscal years 2004 through 2007 are based on information provided by the Athens County Auditor. Fiscal year 2004 estimates are based upon fiscal year 2003 with a five percent increase, attributable to the sexennial revaluation for all of Athens County. Fiscal years 2005, 2006, and 2007 receipts are based on fiscal year 2004, with increases of two percent each fiscal year, based on historical trends.

Tangible Personal Property Tax - Tangible personal property tax is applied to property used in business (except for public utilities). Tangible personal property tax revenues are based upon the actual receipts received from the Athens County Auditor. The School District received \$72,000 in tangible personal property tax revenue for fiscal year 2003, a \$1,000 increase over the previous fiscal year. Tangible personal property taxes increased \$58,000 in fiscal year 2002 due to a new coal mining operation. These tax revenues are anticipated to remain consistent for the forecast period.

**B. Income Tax**

During fiscal year 2003, the School District collected \$4,000 in delinquent income tax from a levy that expired in fiscal year 1999. The School District does not anticipate any further collections.

**C. Unrestricted Grants-in-Aid**

State foundation payments, established by Chapter 3317 of the Ohio Revised Code, are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), classroom teacher ratios and other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid include formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, vocational education, preschool units, equity aid and electric and gas deregulation reimbursement.

In 2002, State law set the base cost per pupil for fiscal year 2003 at \$4,949 and increased the rate each year thereafter by two and eight-tenths percent, to \$5,088 for fiscal year 2004, \$5,230 for fiscal year 2005, \$5,376 for fiscal year 2006, and \$5,527 for fiscal year 2007. Formula aid is calculated by multiplying cost per pupil times ADM, with an adjustment for property valuation.

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2003 through 2007**

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The anticipated state foundation revenue for fiscal year 2003 of \$5,258,000 is based on estimates provided by the Ohio Department of Education. Forecasted amounts for fiscal years 2004 and 2005 are also based upon estimates provided by the Ohio Department of Education and take into account a continued decline in ADM and the sexennial revaluation of property. Fiscal years 2006 and 2007 follow the trend established in fiscal years 2003 through 2005.

Equity aid for Fiscal Year 2003 is projected to be \$313,000. Equity aid is being phased out by a third each year through Fiscal Year 2006.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes will be used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are to be made twice a year in February and August. The School District is anticipating \$18,000 in public utility reimbursements in fiscal year 2003, which is based on information provided by the Ohio Department of Taxation.

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

Restricted grants-in-aid for fiscal year 2003 through fiscal year 2007 consist of the following:

Revenue Source	Forecast Fiscal Year 2003	Forecast Fiscal Year 2004	Forecast Fiscal Year 2005	Forecast Fiscal Year 2006	Forecast Fiscal Year 2007
Bus Purchase Allowance	\$41,000	\$41,000	\$41,000	\$41,000	\$41,000
Special Education	30,000	31,000	31,000	32,000	33,000
Parity Aid	361,000	560,000	776,000	970,000	997,000
DPIA	460,000	559,000	633,000	715,000	735,000
<b>Totals</b>	<b>\$892,000</b>	<b>\$1,191,000</b>	<b>\$1,481,000</b>	<b>\$1,758,000</b>	<b>\$1,806,000</b>

The School District bus purchase allocation decreased in fiscal year 2003 in the amount of \$4,000. In addition, the School District anticipates bus purchase revenues to remain constant in fiscal years 2004 through 2007 and is forecasting no change in the funding levels.

Special education funding was paid for the first time in fiscal year 2003. This funding is the result of open enrollment adjustments made on behalf of the School District by the Department of Education for special education students attending Trimble Local School District. The School District anticipates these payments to increase approximately two percent each year for the remaining forecast period.

The anticipated increase in parity aid is attributable to legislated increases in the distribution formula. The State set parity aid funding at 20 percent of the total allocation in fiscal year 2002 and increased the distribution 20 percent each year with full distribution of 100 percent in fiscal year 2006.

The School District anticipates receiving \$460,000 in restricted DPIA monies during fiscal year 2003, which it anticipates spending in the current fiscal year. The remainder of the forecast is based on estimates provided by the Department of Education and trends in DPIA levels.

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Years Ending June 30, 2003 through 2007**

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**E. Property Tax Allocation**

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

Property tax allocation revenue, based on information from the Athens County Auditor for fiscal year 2003, is anticipated to increase by \$3,000 over the prior fiscal year. The increase is attributed to the sexennial update of real property values mentioned previously. The property tax allocation is forecasted to increase slightly in fiscal years 2004 through 2007 in proportion to the real property tax revenues.

**F. All Other Revenues**

All other revenues include tuition, classroom materials and fees, earnings on investments, miscellaneous receipts from local sources, vocational mileage reimbursements, county preschool reimbursements, and refunds of prior year expenditures. These revenues are forecasted at \$345,000 for fiscal year 2003, a decrease of \$4,000. The decrease is due to a decrease in interest income, offset by an increase in open enrollment adjustments and preschool fees charged by the School District to the Athens County Department of Jobs and Family Services.

Interest is based on historical investment practices and anticipated rates 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 largest allocation going to the general fund.

All other revenues for fiscal years 2004 through 2007 are based upon fiscal year 2003 and are anticipated to increase 1.5 percent each year.

**Note 6 - Significant Assumptions For Expenditures and Other Financing Uses**

**A. Personal Services**

Personal service expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, student workers and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay and payments in lieu of benefits. Certified, classified, and administrative staff levels are expected to remain constant during the forecast period.

Certified and classified staff salaries are based on contracts with their respective bargaining units. The contracts cover the period August 24, 2000 through August 23, 2003 for certified employees and September 1, 2000 through August 31, 2003 for classified employees. The contracts allow for a base salary increase equal to the average base salary increase of all other School Districts in Athens County. Administrative salaries are set by the Board of Education. Management estimates that step increases amount to one and one-half percent, annually.



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For fiscal year 2003, the School District anticipates a salary increase of \$137,000 for base salaries, \$64,000 for step increases, and \$30,000 in miscellaneous salaries. These increases are offset by reductions of \$13,000 for substitutes (due to fewer days missed by regular employees) and \$82,000 for the replacement of retired/resigned employees with employees at a lower pay scale.

For fiscal years 2004 through 2007, the forecast includes step increases of one and one-half percent for certified and classified salaries and no base increases. The School District, in negotiating a new contract with its certified and classified staff, will not offer a base increase for the next four years. The likelihood of achieving no base increases for the next four years is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. An increase of one percent in the base salaries in 2004 would increase the total expenditures for salaries by \$41,000 each year. This increase would cause the deficit in 2007 to increase \$164,000. If a one percent increase occurs annually each year through 2007, the deficit would increase in 2007 by \$413,000.

Upon retirement, the School District offers severance pay to its employees of up to one-fourth of accumulated sick leave to a maximum of 200 days for certified employees and 180 days for classified employees. Employees are also paid for unused personal leave. Both are paid at the employee's current per diem rate. The School District anticipates \$162,000 in severance payments in fiscal year 2003, which represents a \$131,000 increase, and \$23,000 each year thereafter. The 2003 severance payments are based on 7 certified staff members taking advantage of an early retirement incentive program.

**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 fourteen percent for STRS and SERS. Payments are withheld from the semi-monthly state foundation settlements based upon estimated salary and wages for each fiscal year. The School District also pays the superintendent's and treasurer's employee contributions. Employer retirement contributions are forecasted at \$644,000 for fiscal year 2003, a \$13,000 decrease from fiscal year 2002. This decrease is due to the differences between estimated and actual salaries used to determine retirement payments during the year and the retirement of certified staff. For fiscal years 2004 through 2007, retirement costs are expected to increase in relation to the increases in salaries and wages.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The School District participates in a PPO plan. For fiscal year 2003, the School District anticipates a \$168,000 increase in health care costs, due to rising rates. For fiscal year 2003, the School District anticipates a twenty seven percent increase in medical insurance and a five percent increase in dental insurance based upon information provided by the School District's insurance carrier. For fiscal years 2004 through 2007, the School District anticipates a twenty percent increase each year for medical/prescription insurance benefits and a five percent increase each year for dental insurance benefits.

The School District is negotiating a new contract with its classified and certified employees, and plans to obtain employee contributions for healthcare. The likelihood of achieving employee contributions towards the healthcare cost is unknown and the realization of the forecast is particularly sensitive to any change in healthcare costs. A 10 percent employee contribution would decrease the total expenditures for

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employees' retirement/insurance benefits by \$100,000 in 2004, \$130,000 in 2005, \$156,000 in 2006 and \$187,000 in 2007. These decreases would cause the deficit in 2007 to decrease \$573,000.

The School District currently participates in the Ohio School Boards Association Workers' Compensation Group Rating Program. The School District pays a rate billed by the State Worker's Compensation system based on the group rate and the actual salaries for the premium period. For fiscal year 2003, the School District anticipates a \$1,000 increase in Workers' Compensation premiums.

Medicare benefits are based on the employers' rate of 1.45 percent of the payroll costs for contributing staff.

The School District offers an early retirement incentive program to its teachers in which the School District buys up to two years of service credit. The program is available to those teachers who are at least 50 years of age and have 28 years of service, or at age 60 with five years of service. Early retirement incentive costs are forecasted at \$300,000 for fiscal year 2003, a \$104,000 increase from fiscal year 2002. This increase is due to the School District purchasing two years of STRS service credit for seven certified employees. The School District will not offer the early retirement program after fiscal year 2003. For fiscal year 2004, the School District anticipates early retirement costs of \$297,000, representing the final payments on purchased service credits. Purchased service credits are paid to STRS over a two year period. For fiscal years 2005-2007, the School District anticipates no early retirement incentive costs.

**C. Purchased Services**

Purchased service expenditures include professional services, property services, travel and meeting expenses, communication, utilities, tuition and transportation costs. The School District is anticipating expenditures of \$498,000 for fiscal year 2003, a \$95,000 increase. This is due to a three percent increase based upon historical trends. In addition, the increase is due to a \$35,000 expenditure for damage sustained in a hail storm (reimbursed through an insurance claim), \$20,000 for arbitration expenses, and \$25,000 in additional utility increases due to the new school facilities being placed in operation.

The forecast for the remaining fiscal years does not include expenditures associated with the hail damage. The arbitration expenses are only anticipated to continue for fiscal years 2004 and 2005. Arbitration expenses notwithstanding, annual increases of three percent in fiscal years 2004 through 2007 are projected based on anticipated increases in utility costs, the continuing grievance filings, and historical trends.

**D. Supplies and Materials**

Expenditures for supplies and materials include general and office supplies, teaching aids, dispensary supplies, software materials, textbooks, and supplemental textbooks. Fiscal year 2003 expenditures for general supplies and textbooks are anticipated to increase \$191,000, from \$166,000 to \$357,000. This is due to supplies and materials expenditures having been kept at a minimum because of the financial condition of the School District in previous fiscal years. The School District has not purchased many of the supplies needed in previous years. These items are being purchased in fiscal year 2003. The School District also received an additional \$49,000 in vocational education funding which is to be expended for related supplies.

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The School District anticipates that spending for fiscal years 2004 through 2007 will be more in-line with historical levels and are, therefore, anticipating a 33 percent decrease in fiscal year 2004. The School District is forecasting a three and one-half percent increase in fiscal year 2005 and an increase of three percent each year thereafter.

**E. Capital Outlay**

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general governmental services is to report the expenditure of resources, not costs. The School District anticipates expending \$64,000 in fiscal year 2003 for a bus and computer equipment. The School District will also utilize other capital grants for technology upgrades such as SchoolNet. The School District is in the process of developing a long-term capital expenditure plan which may include resources other than from the general fund. For fiscal years 2004 through 2007, the School District is estimating \$51,000 in expenditures for each year. This consists of a bus and other miscellaneous items.

**F. Debt Service**

The final principal payment of \$472,000 for a solvency assistance advance will be made in fiscal year 2003. The solvency assistance advance is paid from State foundation revenues.

**G. Other Objects**

This account includes dues, fees, liability insurance, other miscellaneous goods and services not otherwise classified in another account, and refund of prior years' receipts. For fiscal year 2003, the School District anticipates spending \$242,000.

Fiscal year 2004 through 2007 expenditures are based on fiscal year 2003 with very little variance.

**H. Operating Transfers and Advances Out**

The School District anticipates transfers out of \$15,000 to the District Managed Activity Fund. Transfers out will remain consistent for the remainder of the forecast period. No advances are anticipated for the forecasted period.

**Note 7 - 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.

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Encumbrances for capital outlay for fiscal year ended June 30, 2002 were \$65,000. This is not anticipated for fiscal year 2003. Encumbrances for fiscal year 2002 were due to construction commitments that were paid in fiscal year 2003. Historically, the School District has very limited encumbrances at the end of a fiscal year and anticipates no encumbrances for the forecast period. Management will not authorize any purchases in June each year and will delay the purchase of materials and supplies for the new school year until the start of the new fiscal year.

**Note 8 - Reservations of Fund Balance**

The School District is required by State statute to annually set aside in the general fund three percent of the State base cost formula amount for the current fiscal year multiplied by the school district's student population for that fiscal year 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.

**A. Textbooks and Instructional Materials**

The set aside amount for fiscal year 2003 is \$229,000. There was a carryover of \$53,000 from fiscal year 2002. Qualifying expenditures in the area of textbooks, instructional materials, and related purchased services in the amount of \$357,000 are anticipated. Qualifying expenditures are in excess of the required set aside amount, therefore, no reserve is required. The School District anticipates that qualifying expenditures will completely offset the set aside requirement for the remainder of the forecast period.

**B. Capital Acquisition and Improvements**

The School District anticipates off-sets and qualifying expenditures in the area of capital outlay and other objects, as permitted, to completely offset the set aside requirement for the forecast period. Therefore, no reserve is anticipated during the forecast period.

**C. Budget Reserve**

The School District was required to establish a budget reserve and set aside one percent of certain revenues each year whenever there was annual growth of three percent or more in these revenues. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts were required to credit any refund from the Bureau of Workers' Compensation to the budget reserve. Effective April 10, 2001, Amended Senate Bill 345 deleted the requirement for further budget reserves.

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**Note 9 - Levies**

The School District does not plan to place any levies on the ballot during fiscal year 2003. In the past eleven years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
May 1992	Income Tax	1.50 Percent	5 Years	Passed
May 1997	Income Tax	1.25 Percent	5 Years	Failed
November 1997	Bond Issue	3.13 Mills	23 Years	Failed
May 1998	Bond Issue	2.97 Mills	23 Years	Failed
August 1998	Bond Issue	3.09 Mills	23 Years	Failed
May 1999	Bond Issue	3.02 Mills	23 Years	Passed

**Note 10 - Pending Litigation**

The Board is of the opinion that there are no issues that would have a material effect on the financial forecast.

**Note 11 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**Note 12 – Financial Planning and Supervision Commission**

On January 31, 2001, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996, permitted the declaration due to the School District's declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. The Commission is comprised of the State Superintendent of Public Instruction, the School District Superintendent, State Director of Budget and Management, the Athens County Auditor, an appointee of the Superintendent of Public Instruction, an appointee of the Governor, and an appointee of the Athens County Auditor.

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Betty Montgomery**

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**TRIMBLE LOCAL SCHOOL DISTRICT**

**ATHENS 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  
MARCH 6, 2003**