



**Auditor of State  
Betty Montgomery**



**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Trimble Local School District  
Athens County  
1 Tomcat Drive  
Glouster, Ohio 45732

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Trimble Local School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Trimble Local School District, Athens County, Ohio, as of June 30, 2004, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Title I Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The District also implemented GASB Statements 37, 38, 39 and 41 and Interpretation 6 concurrently with GASB Statement 34.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

February 2, 2005

## **Trimble Local School District, Ohio**

*Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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The discussion and analysis of the Trimble Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

#### **Key financial highlights for fiscal year 2004 are as follows:**

- Net assets of governmental activities decreased \$250,714.
- General revenues accounted for \$6,011,756 or 65% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$3,266,376 or 35% of total revenues of \$9,278,132.
- The School District had \$9,528,846 in expenses related to governmental activities; only \$3,266,376 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$6,011,756 were not adequate to provide for these programs.
- Program expenses totaled \$9,528,846. Instructional expenses made up \$5,183,460 or 54 percent of this total while support services accounted for \$3,619,486 or 38 percent. Other expenses, \$725,900 rounded out the remaining 8 percent.
- The School District has three major funds; the General, Title I, and the Bond Retirement Funds. The General Fund had \$6,861,132 in revenues and \$6,532,153 in expenditures. The General Fund's balance increased \$288,858. The Title I Fund had \$607,976 in revenues and \$631,669 in expenditures. The Title I Fund's balance decreased by \$23,693. The Bond Retirement Fund had \$188,306 in revenues and \$161,385 in expenditures. The Bond Retirement Fund's balance increased by \$26,921.

### **USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Trimble Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

# Trimble Local School District, Ohio

Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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## **Reporting the School District as a Whole**

### *Statement of New Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

- In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

## **Reporting the School District's Most Significant Funds**

### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Title I Fund, and the Bond Retirement Fund.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

**Trimble Local School District, Ohio**

*Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

Table 1  
Net Assets

|   | Governmental Activities |              |
|---|-------------------------|--------------|
|   | 2004                    | 2003         |
| <b>Assets</b>                           |                         |              |
| Current and Other Assets                | \$1,998,720             | \$2,083,696  |
| Capital Assets                          | 17,251,177              | 17,708,724   |
| Total Assets                            | 19,126,461              | 19,792,420   |
| <b>Liabilities</b>                      |                         |              |
| Long-term Liabilities                   | 1,737,819               | 1,875,432    |
| Other Liabilities                       | 2,138,263               | 2,292,459    |
| Total Liabilities                       | 3,752,646               | 4,167,891    |
| <b>Net Assets</b>                       |                         |              |
| Invested in Capital Assets, Net of Debt | 16,073,818              | 16,444,919   |
| Restricted                              | 581,739                 | 847,662      |
| Unrestricted                            | (1,281,742)             | (1,668,052)  |
| Total Net Assets                        | \$15,373,815            | \$15,624,529 |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the School District's assets exceeded liabilities by \$15,373,815. By comparing assets and liabilities, one can see the overall position of the School District as evidenced by the decrease in net assets of \$250,714.

A portion of the School District's net assets, \$581,739, represents resources that are subject to external restrictions on how they may be used. There remains a negative balance of unrestricted net assets of \$1,281,742, which is insufficient to provide for the School District's ongoing obligations to the students and creditors.

At fiscal year-end, capital assets represented 90 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures, equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$16,073,818. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets are not liquidated to reduce these liabilities.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Trimble Local School District, Ohio**

*Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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Table 2  
Changes in Net Assets

|  | Governmental<br>Activities |
|--|----------------------------|
|  | <u>2004</u>                |
| <b>Revenues</b>                              |                            |
| Program Revenues                             |                            |
| Charges for Services                         | \$542,061                  |
| Operating Grants, Contributions and Interest | 2,682,607                  |
| Capital Grants and Contributions             | 41,708                     |
| Total Program Revenues                       | <u>3,266,376</u>           |
| General Revenues                             |                            |
| Property Taxes                               | 853,507                    |
| Income Taxes                                 | 1,240                      |
| Grants and Entitlements                      | 5,143,916                  |
| Investment Earnings                          | 4,057                      |
| Miscellaneous                                | 9,036                      |
| Total General Revenues                       | <u>6,011,756</u>           |
| Total Revenues                               | <u>9,278,132</u>           |
| <b>Program Expenses</b>                      |                            |
| Instruction:                                 |                            |
| Regular                                      | 3,745,894                  |
| Special                                      | 1,283,973                  |
| Vocational                                   | 153,593                    |
| Support Services:                            |                            |
| Pupils                                       | 457,142                    |
| Instructional Staff                          | 539,680                    |
| Board of Education                           | 55,412                     |
| Administration                               | 699,153                    |
| Fiscal                                       | 245,817                    |
| Operation and Maintenance of Plant           | 960,780                    |
| Pupil Transportation                         | 649,049                    |
| Central                                      | 12,453                     |
| Operation of Non-Instructional Services      | 3,780                      |
| Food Service Operations                      | 447,848                    |
| Extracurricular Activities                   | 185,931                    |
| Interest and Fiscal Charges                  | 88,341                     |
| Total Expenses                               | <u>9,528,846</u>           |
| Increase in Net Assets                       | <u>(\$250,714)</u>         |

Net assets of the School District's governmental activities decreased by \$250,714 in fiscal year 2004. Program revenues of \$3,266,376 and general revenue of \$6,011,756 did not offset total governmental expenses of \$9,528,846. Program revenues supported 34 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 94 percent of total governmental revenue. Grants and entitlements, alone, represent 85 percent of revenues. Income taxes, interest income, and miscellaneous revenue account for the remaining 6 percent.

## Trimble Local School District, Ohio

Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

Instruction comprises approximately 54 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 38 percent. The remaining 8 percent of program expenses is used for other obligations of the School District such as non-instructional service, food service operations, extracurricular activities, and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements. Comparisons to 2003 have not been made since they are not available.

Table 3  
Governmental Activities

|   | Total Cost<br>of Services | Net Cost<br>of Services |
|---|---------------------------|-------------------------|
|   | 2004                      | 2004                    |
| <b>Program Expenses</b>                 |                           |                         |
| Instruction:                            |                           |                         |
| Regular                                 | \$3,745,894               | \$2,797,787             |
| Special                                 | 1,283,973                 | 170,605                 |
| Vocational                              | 153,593                   | 113,207                 |
| Support Services:                       |                           |                         |
| Pupils                                  | 457,142                   | 244,244                 |
| Instructional Staff                     | 539,680                   | 211,524                 |
| Board of Education                      | 55,412                    | 55,412                  |
| Administration                          | 699,153                   | 659,373                 |
| Fiscal                                  | 245,817                   | 237,756                 |
| Operation and Maintenance of Plant      | 960,780                   | 960,641                 |
| Pupil Transportation                    | 649,049                   | 563,272                 |
| Central                                 | 12,453                    | 11,934                  |
| Operation of Non-Instructional Services | 3,780                     | (109)                   |
| Food Service Operations                 | 447,848                   | 48,716                  |
| Extracurricular Activities              | 185,931                   | 99,767                  |
| Interest and Fiscal Charges             | 88,341                    | 88,341                  |
| Total                                   | <u>\$9,528,846</u>        | <u>\$6,262,470</u>      |

The dependence upon tax and other general revenues for governmental activities is apparent. Ohio law requires County Auditors to reappraise all real property every six years. In Athens County, the last reappraisal was completed in 2002. As a result of the latest update, the School District's valuation increased approximately \$7,000,000. The next comprehensive reappraisal of property values will occur in 2008. Slow economic growth in the area have resulted in business closings, property abandonment, demolition, and valuation appeals from existing property owners seeking to reduce their taxes usually by claiming market value decreases resulting from area economic factors. Local economic conditions, in fact, are the major reason that the School District has not sought additional operating millage.

The unique nature of property taxes in Ohio does not allow for revenue increases caused by inflationary growth of real property. Increases in valuation prompt corresponding annual reductions in the "effective millage," the tax rate applied to real property.

# Trimble Local School District, Ohio

Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited

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## THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,240,515 and expenditures of \$9,202,663.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue was \$6,725,372, above original estimates of \$6,596,103. This \$129,269 difference, was due to deflated intergovernmental estimates, based on the State's budget reduction.

The School District's ending unobligated General Fund balance was \$220,264.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### **Capital Assets**

At the end of fiscal year 2004, the School District had \$17,251,177 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4  
Capital Assets  
(Net of Depreciation)

|                            | Governmental Activities |                     |
|----------------------------|-------------------------|---------------------|
|                            | 2004                    | 2003                |
| Land and Land Improvements | \$368,262               | \$395,730           |
| Buildings and Improvements | 16,032,627              | 16,439,585          |
| Furniture and Equipment    | 642,604                 | 617,703             |
| Vehicles                   | 207,684                 | 255,706             |
| Totals                     | <u>\$17,251,177</u>     | <u>\$17,708,724</u> |

For additional information on capital assets, see note 10 to the financial statements.

### **Debt**

At June 30, 2004, the School District had general obligation bonds outstanding of \$1,125,000 and \$52,359 in capital leases. The leases are for copiers. For additional information on debt, see note 16 to the basic financial statements.

# **Trimble Local School District, Ohio**

*Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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## **CURRENT ISSUES**

The goal of the Trimble Local School District continues to be to maintain the highest standards of service to our students, parents, and community. In keeping with its mission statement, the Board of Education has adopted a Comprehensive Continuous School Improvement Plan. The goal is ultimately to narrow the gap between the highest and lowest achieving students leading to total academic success.

The mission of the Trimble Local School District is to ensure that all students reach their fullest potential by using the best physical and human resources in partnership with family and community. In order to meet the goals and mission stated above, it is imperative that the School District's management and staff continue to carefully and prudently plan in order to provide the resources and education required to meet student needs over the next several years.

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes and State subsidies to fund its operations. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes or State subsidies. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (nearly 80 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has seen a slight decline in student enrollment in recent years and while State revenue growth has shifted toward school districts with low property tax wealth, declining enrollment has served to somewhat offset any increase in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of required budget cuts, much of the positive impact has been offset by other negative financial factors that occurred in the past year (decreasing enrollment, lower interest earnings, higher insurance costs, and State budget cuts in education). In the long run, the fact is that as long as the State avoids the complete systematic overhaul the Supreme Court ordered in its initial ruling, all schools in Ohio will be faced with the same problem in the future – either increasing its revenues (passing levies) or decreasing its expenditures (making budget cuts).

On the upside, the School District has improved its financial position over the past several years, and has increased its cash balance carry-over in each of the last five years.

As the preceding information shows, the School District depends upon its taxpayers. Although the School District has tightened spending to better bring expenditures in line with revenues, and carefully watched financial planning, this must continue if the School District hopes to remain on firm financial footing.

## **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Cindy Rhonemus, Treasurer at Trimble Local School District, One Tomcat Drive, Glouster, Ohio 45732.

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**Trimble Local School District, Ohio**  
*Statement of Net Assets*  
*June 30, 2004*

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                                    |                            |
| Equity in Pooled Cash and Cash Equivalents       | \$612,991                  |
| Cash and Cash Equivalents in Segregated Accounts | 339                        |
| Cash and Cash Equivalents with Fiscal Agents     | 34,463                     |
| Property Taxes Receivable                        | 965,888                    |
| Accounts Receivable                              | 266                        |
| Intergovernmental Receivable                     | 335,606                    |
| Prepaid Items                                    | 26,274                     |
| Materials and Supplies Inventory                 | 22,893                     |
| Nondepreciable Capital Assets                    | 55,370                     |
| Depreciable Capital Assets, Net                  | 17,195,807                 |
| <i>Total Assets</i>                              | 19,249,897                 |
| <br><b>Liabilities</b>                           |                            |
| Accounts Payable                                 | 95,532                     |
| Accrued Wages and Benefits Payable               | 735,334                    |
| Accrued Interest Payable                         | 6,626                      |
| Intergovernmental Payable                        | 250,224                    |
| Deferred Revenue                                 | 826,584                    |
| Matured Bonds Payable                            | 30,000                     |
| Matured Interest Payable                         | 4,463                      |
| State Operating Loan Payable                     | 189,500                    |
| Long-Term Liabilities:                           |                            |
| Due within One Year                              | 154,728                    |
| Due in More than One Year                        | 1,583,091                  |
| <i>Total Liabilities</i>                         | 3,876,082                  |
| <br><b>Net Assets</b>                            |                            |
| Invested in Capital Assets, Net of Related Debt  | 16,073,818                 |
| Restricted for:                                  |                            |
| Unclaimed Monies                                 | 1,476                      |
| Textbooks  | 26,276                     |
| Bus Purchases                                    | 50,338                     |
| Other Purposes                                   | 247,597                    |
| Debt Service                                     | 255,134                    |
| Capital Projects                                 | 918                        |
| Unrestricted (Deficit)                           | (1,281,742)                |
| <i>Total Net Assets</i>                          | \$15,373,815               |

See accompanying notes to the basic financial statements

**Trimble Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June, 30, 2004

|   | Expenses           | Program Revenues     |  | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
|---|--------------------|----------------------|--|----------------------------------|---|
|   |                    | Charges for Services | Operating Grants, Contributions and Interest |                                  |   |
| <b>Governmental Activities:</b>                             |                    |                      |  |                                  |   |
| Instruction:  |                    |                      |  |                                  |   |
| Regular   | \$3,745,894        | \$294,701            | \$632,231                                    | \$21,175                         | (\$2,797,787)                                   |
| Special   | 1,283,973          | 0                    | 1,113,368                                    | 0                                | (170,605)                                       |
| Vocational  | 153,593            | 0                    | 40,386                                       | 0                                | (113,207)                                       |
| Support Services:   |                    |                      |  |                                  |   |
| Pupils  | 457,142            | 60,665               | 152,233                                      | 0                                | (244,244)                                       |
| Instructional Staff   | 539,680            | 0                    | 328,156                                      | 0                                | (211,524)                                       |
| Board of Education  | 55,412             | 0                    | 0  | 0                                | (55,412)  |
| Administration  | 699,153            | 0                    | 39,780                                       | 0                                | (659,373)                                       |
| Fiscal  | 245,817            | 0                    | 8,061  | 0                                | (237,756)                                       |
| Operation and Maintenance of Plant                          | 960,780            | 139                  | 0  | 0                                | (960,641)                                       |
| Pupil Transportation  | 649,049            | 2,723                | 62,521                                       | 20,533                           | (563,272)                                       |
| Central   | 12,453             | 0                    | 519  | 0                                | (11,934)  |
| Operation of Non-Instructional Services                     | 3,780              | 1,680                | 2,209  | 0                                | 109   |
| Food Service Operations                                     | 447,848            | 97,045               | 302,087                                      | 0                                | (48,716)  |
| Extracurricular Activities                                  | 185,931            | 85,108               | 1,056  | 0                                | (99,767)  |
| Interest and Fiscal Charges                                 | 88,341             | 0                    | 0  | 0                                | (88,341)  |
| <b>Totals</b>   | <b>\$9,528,846</b> | <b>\$542,061</b>     | <b>\$2,682,607</b>                           | <b>\$41,708</b>                  | <b>(6,262,470)</b>                              |
| <b>General Revenues</b>                                     |                    |                      |  |                                  |   |
| Property Taxes Levied for:                                  |                    |                      |  |                                  |   |
| General Purposes  |                    |                      |  |                                  | 673,324   |
| Debt Service  |                    |                      |  |                                  | 167,228   |
| Other Purposes  |                    |                      |  |                                  | 12,955  |
| Income Taxes Levied for General Purposes                    |                    |                      |  |                                  | 1,240   |
| Grants and Entitlements not Restricted to Specific Programs |                    |                      |  |                                  | 5,143,916                                       |
| Investment Earnings   |                    |                      |  |                                  | 4,057   |
| Miscellaneous   |                    |                      |  |                                  | 9,036   |
| <b>Total General Revenues</b>                               |                    |                      |  |                                  | <b>6,011,756</b>                                |
| <b>Change in Net Assets</b>                                 |                    |                      |  |                                  | <b>(250,714)</b>                                |
| <b>Net Assets at Beginning of Year - See Note 3</b>         |                    |                      |  |                                  | <b>15,624,529</b>                               |
| <b>Net Assets at End of Year</b>                            |                    |                      |  |                                  | <b>\$15,373,815</b>                             |

See accompanying notes to the basic financial statements

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**Trimble Local School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2004*

|  | General            | Title I          | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|------------------|--------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                                    |                    |                  |                    |                                |                                |
| Equity in Pooled Cash and Cash Equivalents       | \$147,127          | \$38,159         | \$235,643          | \$115,448                      | \$536,377                      |
| Cash and Cash Equivalents in Segregated Accounts | 0                  | 0                | 0                  | 339                            | 339                            |
| Cash and Cash Equivalents with Fiscal Agents     | 0                  | 0                | 34,463             | 0                              | 34,463                         |
| Restricted Assets:                               |                    |                  |                    |                                |                                |
| Equity in Pooled Cash and Cash Equivalents       | 76,614             | 0                | 0                  | 0                              | 76,614                         |
| Receivables:                                     |                    |                  |                    |                                |                                |
| Taxes  | 764,080            | 0                | 187,201            | 14,607                         | 965,888                        |
| Accounts   | 0                  | 0                | 0                  | 266                            | 266                            |
| Intergovernmental                                | 3,161              | 150,752          | 0                  | 181,693                        | 335,606                        |
| Interfund  | 2,464              | 0                | 0                  | 0                              | 2,464                          |
| Materials and Supplies Inventory                 | 12,335             | 0                | 0                  | 10,558                         | 22,893                         |
| Prepaid Items                                    | 24,975             | 0                | 0                  | 1,299                          | 26,274                         |
| <b>Total Assets</b>                              | <b>\$1,030,756</b> | <b>\$188,911</b> | <b>\$457,307</b>   | <b>\$324,210</b>               | <b>\$2,001,184</b>             |
| <b>Liabilities and Fund Balances</b>             |                    |                  |                    |                                |                                |
| <b>Liabilities</b>                               |                    |                  |                    |                                |                                |
| Accounts Payable                                 | \$46,247           | \$28,870         | \$0                | \$20,415                       | \$95,532                       |
| Accrued Wages and Benefits Payable               | 554,354            | 46,921           | 0                  | 134,059                        | 735,334                        |
| Interfund Payable                                | 0                  | 0                | 0                  | 2,464                          | 2,464                          |
| Intergovernmental Payable                        | 137,342            | 7,155            | 0                  | 20,067                         | 164,564                        |
| Deferred Revenue                                 | 733,473            | 76,218           | 181,017            | 102,139                        | 1,092,847                      |
| Matured Bonds Payable                            | 0                  | 0                | 30,000             | 0                              | 30,000                         |
| Matured Interest Payable                         | 0                  | 0                | 4,463              | 0                              | 4,463                          |
| State Operating Loan Payable                     | 189,500            | 0                | 0                  | 0                              | 189,500                        |
| <b>Total Liabilities</b>                         | <b>1,660,916</b>   | <b>159,164</b>   | <b>215,480</b>     | <b>279,144</b>                 | <b>2,314,704</b>               |
| <b>Fund Balances</b>                             |                    |                  |                    |                                |                                |
| Reserved for Encumbrances                        | 656                | 1,653            | 0                  | 24,405                         | 26,714                         |
| Reserved for Textbooks                           | 26,276             | 0                | 0                  | 0                              | 26,276                         |
| Reserved for Bus Purchases                       | 50,338             | 0                | 0                  | 0                              | 50,338                         |
| Reserved for Property Taxes                      | 15,908             | 0                | 3,916              | 0                              | 19,824                         |
| Reserved for Unclaimed Monies                    | 1,476              | 0                | 0                  | 0                              | 1,476                          |
| Unreserved, Designated                           | 254                | 0                | 0                  | 0                              | 254                            |
| Unreserved, Undesignated, Reported in:           |                    |                  |                    |                                |                                |
| General Fund (Deficit)                           | (725,068)          | 0                | 0                  | 0                              | (725,068)                      |
| Special Revenue Funds                            | 0                  | 28,094           | 0                  | 19,635                         | 47,729                         |
| Capital Project Funds                            | 0                  | 0                | 0                  | 1,026                          | 1,026                          |
| Debt Service Fund                                | 0                  | 0                | 237,911            | 0                              | 237,911                        |
| <b>Total Fund Balances (Deficit)</b>             | <b>(630,160)</b>   | <b>29,747</b>    | <b>241,827</b>     | <b>45,066</b>                  | <b>(313,520)</b>               |
| <b>Total Liabilities and Fund Balances</b>       | <b>\$1,030,756</b> | <b>\$188,911</b> | <b>\$457,307</b>   | <b>\$324,210</b>               | <b>\$2,001,184</b>             |

See accompanying notes to the basic financial statements

**Trimble Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2004*

|   |                 |                            |
|---|-----------------|----------------------------|
| <b>Total Governmental Fund Balances (Deficit)</b>   |                 | (\$313,520)                |
| <br><b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>   |                 |                            |
| Capital Assets used in governmental activities are not financial resources are not reported in the funds  |                 | 17,251,177                 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:  |                 |                            |
| Property Taxes  | \$102,252       |                            |
| Grants  | <u>164,011</u>  | 266,263                    |
| Intergovernmental Payable includes contractually pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds. |                 | (85,660)                   |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:  |                 |                            |
| School Construction Bonds   | (855,000)       |                            |
| School Improvement Bonds  | (270,000)       |                            |
| Accrued Interest Payable  | (6,626)         |                            |
| Compensated Absences Payable  | (560,460)       |                            |
| Capital Leases Payable  | <u>(52,359)</u> | <u>(1,744,445)</u>         |
| Net Assets of Governmental Activities   |                 | <u><u>\$15,373,815</u></u> |

See accompanying notes to the basic financial statements

**Trimble Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

|   | General            | Title I         | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|-----------------|--------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                    |                 |                    |                                |                                |
| Property Taxes  | \$652,681          | \$0             | \$162,786          | \$12,725                       | \$828,192                      |
| Income Taxes  | 1,240              | 0               | 0                  | 0                              | 1,240                          |
| Intergovernmental   | 5,900,111          | 607,976         | 25,520             | 1,319,553                      | 7,853,160                      |
| Investment Earnings   | 2,895              | 0               | 0                  | 1,162                          | 4,057                          |
| Tuition and Fees  | 293,180            | 0               | 0                  | 1,680                          | 294,860                        |
| Charges for Services  | 0                  | 0               | 0                  | 95,136                         | 95,136                         |
| Extracurricular   | 0                  | 0               | 0                  | 83,452                         | 83,452                         |
| Miscellaneous   | 11,025             | 0               | 0                  | 69,393                         | 80,418                         |
| <i>Total Revenues</i>   | <u>6,861,132</u>   | <u>607,976</u>  | <u>188,306</u>     | <u>1,583,101</u>               | <u>9,240,515</u>               |
| <b>Expenditures</b>   |                    |                 |                    |                                |                                |
| Current:  |                    |                 |                    |                                |                                |
| Instruction:  |                    |                 |                    |                                |                                |
| Regular   | 2,961,008          | 25,746          | 0                  | 549,567                        | 3,536,321                      |
| Special   | 699,645            | 464,321         | 0                  | 65,849                         | 1,229,815                      |
| Vocational  | 144,315            | 0               | 0                  | 0                              | 144,315                        |
| Support Services:   |                    |                 |                    |                                |                                |
| Pupils  | 209,515            | 0               | 0                  | 228,425                        | 437,940                        |
| Instructional Staff   | 209,509            | 100,397         | 0                  | 217,692                        | 527,598                        |
| Board of Education  | 55,412             | 0               | 0                  | 0                              | 55,412                         |
| Administration  | 618,982            | 9,902           | 0                  | 31,206                         | 660,090                        |
| Fiscal  | 221,565            | 6,787           | 7,719              | 1,799                          | 237,870                        |
| Operation and Maintenance of Plant  | 690,087            | 0               | 0                  | 263,951                        | 954,038                        |
| Pupil Transportation  | 555,374            | 0               | 0                  | 2,871                          | 558,245                        |
| Central   | 12,453             | 0               | 0                  | 524                            | 12,977                         |
| Operation of Non-Instructional Services   | 0                  | 2,100           | 0                  | 1,680                          | 3,780                          |
| Food Service Operations   | 0                  | 0               | 0                  | 411,908                        | 411,908                        |
| Extracurricular Activities  | 77,823             | 0               | 0                  | 101,984                        | 179,807                        |
| Debt Service:   |                    |                 |                    |                                |                                |
| Principal Retirement  | 71,326             | 22,416          | 70,000             | 0                              | 163,742                        |
| Interest and Fiscal Charges   | 5,139              | 0               | 83,666             | 0                              | 88,805                         |
| <i>Total Expenditures</i>   | <u>6,532,153</u>   | <u>631,669</u>  | <u>161,385</u>     | <u>1,877,456</u>               | <u>9,202,663</u>               |
| <i>Excess of Revenues Over/<br/>(Under) Expenditures</i>                        | <u>328,979</u>     | <u>(23,693)</u> | <u>26,921</u>      | <u>(294,355)</u>               | <u>37,852</u>                  |
| <b>Other Financing Sources/ (Uses)</b>  |                    |                 |                    |                                |                                |
| Transfers In  | 0                  | 0               | 0                  | 163,098                        | 163,098                        |
| Transfers Out   | (40,121)           | 0               | 0                  | (122,977)                      | (163,098)                      |
| <i>Total Other Financing Sources (Uses)</i>                                     | <u>(40,121)</u>    | <u>0</u>        | <u>0</u>           | <u>40,121</u>                  | <u>0</u>                       |
| <i>Net Change in Fund Balance</i>   | 288,858            | (23,693)        | 26,921             | (254,234)                      | 37,852                         |
| <i>Fund Balances at Beginning of Year (Deficit) -<br/>Restated (See Note 3)</i> | <u>(919,018)</u>   | <u>53,440</u>   | <u>214,906</u>     | <u>299,300</u>                 | <u>(351,372)</u>               |
| <i>Fund Balances (Deficit) at End of Year</i>                                   | <u>(\$630,160)</u> | <u>\$29,747</u> | <u>\$241,827</u>   | <u>\$45,066</u>                | <u>(\$313,520)</u>             |

See accompanying notes to the basic financial statements

**Trimble Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

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**Net Change in Fund Balances - Total Governmental Funds** \$37,852

***Amounts reported for governmental activities in the statement  
of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

|                         |           |           |
|-------------------------|-----------|-----------|
| Capital Asset Additions | \$135,344 |           |
| Depreciation Expense    | 585,308   | (449,964) |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of assets.

|                                    |         |
|------------------------------------|---------|
| Loss on Disposal of Capital Assets | (7,583) |
|------------------------------------|---------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

|                        |        |        |
|------------------------|--------|--------|
| Grants                 | 12,631 |        |
| Miscellaneous Revenues | (329)  |        |
| Delinquent Taxes       | 25,315 | 37,617 |

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

163,742

In the statement of activities interest is accrued on outstanding bonds and notes, whereas in governmental funds, interest is expended when due.

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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

|                            |          |          |
|----------------------------|----------|----------|
| Intergovernmental Payables | (6,713)  |          |
| Compensated Absences       | (26,129) | (32,842) |

*Change in Net Assets of Governmental Activities* (\$250,714)

See accompanying notes to the basic financial statements

**Trimble Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2004*

|   | Budgeted Amounts |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|------------------|---|
|   | Original         | Final            |                  |   |
| <b>Revenues</b>                                     |                  |                  |                  |   |
| Property Taxes                                      | \$641,044        | \$647,804        | \$647,804        | \$0   |
| Income Taxes  | 1,216            | 1,240            | 1,240            | 0   |
| Intergovernmental                                   | 5,659,772        | 5,775,725        | 5,776,431        | 706   |
| Investment Earnings                                 | 2,812            | 2,878            | 2,893            | 15  |
| Tuition and Fees                                    | 287,679          | 293,282          | 293,282          | 0   |
| Miscellaneous                                       | 3,580            | 3,722            | 3,722            | 0   |
| <i>Total Revenues</i>                               | <u>6,596,103</u> | <u>6,724,651</u> | <u>6,725,372</u> | <u>721</u>  |
| <b>Expenditures</b>                                 |                  |                  |                  |   |
| Current:  |                  |                  |                  |   |
| Instruction:  |                  |                  |                  |   |
| Regular   | 2,830,946        | 2,837,062        | 2,837,062        | 0   |
| Special   | 717,021          | 718,570          | 718,570          | 0   |
| Vocational  | 153,527          | 153,859          | 153,859          | 0   |
| Other   | 243,174          | 243,699          | 243,699          | 0   |
| Support Services:                                   |                  |                  |                  |   |
| Pupils  | 206,074          | 206,519          | 206,519          | 0   |
| Instructional Staff                                 | 214,162          | 214,625          | 214,625          | 0   |
| Board of Education                                  | 44,959           | 45,057           | 45,057           | 0   |
| Administration                                      | 625,765          | 627,116          | 627,116          | 0   |
| Fiscal  | 220,682          | 221,158          | 221,158          | 0   |
| Operation and Maintenance of Plant                  | 700,276          | 701,789          | 701,789          | 0   |
| Pupil Transportation                                | 556,064          | 557,265          | 557,265          | 0   |
| Central   | 12,427           | 12,453           | 12,453           | 0   |
| Extracurricular Activities                          | 75,432           | 75,595           | 75,595           | 0   |
| <i>Total Expenditures</i>                           | <u>6,600,509</u> | <u>6,614,767</u> | <u>6,614,767</u> | <u>0</u>  |
| <i>Excess of Revenues Over/(Under) Expenditures</i> | <u>(4,406)</u>   | <u>109,884</u>   | <u>110,605</u>   | <u>721</u>  |
| <b>Other Financing Sources (Uses)</b>               |                  |                  |                  |   |
| Refund of Prior Year Expenditures                   | 1,407            | 2,910            | 2,910            | 0   |
| Transfers Out                                       | (70,408)         | (40,121)         | (40,121)         | 0   |
| Advances Out  | (2,226)          | (2,231)          | (2,231)          | 0   |
| <i>Total Other Financing Sources (Uses)</i>         | <u>(71,227)</u>  | <u>(39,442)</u>  | <u>(39,442)</u>  | <u>0</u>  |
| <i>Net Change in Fund Balance</i>                   | <u>(75,633)</u>  | <u>70,442</u>    | <u>71,163</u>    | <u>721</u>  |
| <i>Fund Balance at Beginning of Year</i>            | <u>69,653</u>    | <u>69,653</u>    | <u>69,653</u>    | <u>0</u>  |
| Prior Year Encumbrances Appropriated                | <u>79,448</u>    | <u>79,448</u>    | <u>79,448</u>    | <u>0</u>  |
| <i>Fund Balance at End of Year</i>                  | <u>\$73,468</u>  | <u>\$219,543</u> | <u>\$220,264</u> | <u>\$721</u>  |

See accompanying notes to the basic financial statements

**Trimble Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
Title I Fund  
For the Fiscal Year Ended June 30, 2004*

|  | <u>Budgeted Amounts</u> |                        | <u>Actual</u>          | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|------------------------|------------------------|---|
|  | <u>Original</u>         | <u>Final</u>           |                        |   |
| <b>Revenues</b>                              |                         |                        |                        |   |
| Intergovernmental                            | \$663,801               | \$640,275              | \$640,275              | \$0   |
| <b>Expenditures</b>                          |                         |                        |                        |   |
| Current:                                     |                         |                        |                        |   |
| Instruction:                                 |                         |                        |                        |   |
| Regular                                      | 28,725                  | 26,634                 | 26,634                 | 0   |
| Special                                      | 559,878                 | 519,115                | 519,115                | 0   |
| Support Services:                            |                         |                        |                        |   |
| Instructional Staff                          | 102,740                 | 95,259                 | 95,259                 | 0   |
| Administration                               | 15,691                  | 14,549                 | 14,549                 | 0   |
| Fiscal                                       | 7,192                   | 6,669                  | 6,669                  | 0   |
| Operation of Non-Instructional Services      | 2,265                   | 2,100                  | 2,100                  | 0   |
| <i>Total Expenditures</i>                    | <u>716,491</u>          | <u>664,326</u>         | <u>664,326</u>         | <u>0</u>  |
| <i>Net Change in Fund Balance</i>            | (52,690)                | (24,051)               | (24,051)               | 0   |
| <i>Fund Balance at Beginning of Year</i>     | 12,830                  | 12,830                 | 12,830                 | 0   |
| Prior Year Encumbrances Appropriated         | <u>39,860</u>           | <u>39,860</u>          | <u>39,860</u>          | <u>0</u>  |
| <i>Fund Balance (Deficit) at End of Year</i> | <u><u>\$0</u></u>       | <u><u>\$28,639</u></u> | <u><u>\$28,639</u></u> | <u><u>\$0</u></u>   |

See accompanying notes to the basic financial statements

**Trimble Local School District, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2004*

|  | Private Purpose<br>Trusts |         |
|--|---------------------------|---------|
|  | Scholarships              | Agency  |
| <b>Assets</b>                              |                           |         |
| Equity in Pooled Cash and Cash Equivalents | \$0                       | \$9,473 |
| Investments                                | 18,389                    | 0       |
| <i>Total Assets</i>                        | 18,389                    | \$9,473 |
| <b>Liabilities</b>                         |                           |         |
| Due to Students                            | 0                         | \$9,473 |
| <b>Net Assets</b>                          |                           |         |
| Held in Trust for Scholarships             | \$18,389                  |         |

See accompanying notes to the basic financial statements

**Trimble Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Funds*  
*For the Fiscal Year Ended June 30, 2004*

|  | Private Purpose<br>Trusts |
|--|---------------------------|
|  | Scholarships              |
| <b>Additions</b>                       |                           |
| Interest                               | \$260                     |
| Gifts and Donations                    | 1,834                     |
| <i>Total Additions</i>                 | 2,094                     |
| <b>Deductions</b>                      |                           |
| Scholarships                           | 1,500                     |
| <i>Change in Net Assets</i>            | 594                       |
| <i>Net Assets at Beginning of Year</i> | 17,795                    |
| <i>Net Assets at End of Year</i>       | \$18,389                  |

See accompanying notes to the basic financial statements

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## **Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 1 - Description of the School District and Reporting Entity**

Trimble Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's three instructional/support facilities staffed by 53 classified employees, 81 certified teaching personnel, and 5 administrators, who provide services to 912 students and other community members.

On January 31, 2001, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State due to the School District's declining financial condition. In accordance with State Statute, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is composed of the State Director of the Office of Budget and Management, the State Superintendent of Public Instruction, a resident/business owner within the School District appointed by the Athens County Auditor, a local business person appointed by the Governor, and a parent with a child enrolled within the School District appointed by the State Superintendent of Public Instruction. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the School District Plan on June 22, 2001. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

#### ***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Trimble Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in the Southeast Ohio Voluntary Educational Consortium, the Tri-County Career Center, the Coalition of Rural and Appalachian Schools, and the South Eastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program and the Ohio School Plan, which are defined as insurance purchasing pools. These organizations are presented in Notes 17 and 18.

# Trimble Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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## Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

### A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

### B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using two categories, governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major Governmental Funds:

## Trimble Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**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.

**Title I Fund** The Title I Special Revenue Fund is used to account for financial resources used to meet the special needs of educationally deprived children.

**Bond Retirement Fund** The Bond Retirement Fund accounts for the accumulation of resources for, and the payment of, principal and interest on long-term debt and related costs.

The other Governmental Funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's trust funds are private purpose trust funds which account for college scholarship programs for students. Agency funds are custodial in nature (assets equals liabilities) and does not involve the measurement of results of operations. The School District's agency fund accounts for student activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental Fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private-purpose trust funds are reported using the economic resources measurement focus.

### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

## Trimble Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### **E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The School District has a segregated bank account for athletic monies held separate from the School District's central bank account. This non-interest bearing depository account is presented as "cash and cash equivalents in segregated accounts since it is not deposited in the School District treasury.

## **Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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Except for nonparticipating investment contracts, investments are reported as fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$2,895, which includes \$2,114 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents.

### ***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets include amounts required by State Statute to be set-aside by the School District for textbooks and unexpended grants restricted for the purchase of buses. See Note 21 for additional information regarding set-asides.

### ***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expenses is reported in the fiscal year in which the services are consumed.

### ***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated commodities held for resale.

### ***I. Capital Assets***

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>                 | <u>Estimated Lives</u> |
|------------------------------------|------------------------|
| Buildings and Improvements         | 50 years               |
| Furniture, Fixtures, and Equipment | 5-20 years             |
| Vehicles                           | 8 years                |

***J. Interfund Activity***

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after five years of current service with the School District.

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

***M. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, bus purchases, unclaimed monies, and textbooks.

## **Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbooks represents money required to be set-aside by statute for the acquisition of instructional materials.

### ***N. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

### ***O. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### ***P. Designation of Fund Balance***

Designations represent tentative plans for future use of financial resources. The School District has a designation of fund balance on the balance sheet for money set aside for capital maintenance in excess of statutory requirements.

### ***Q. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations and federal and state grants restricted for specific purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### ***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

### ***S. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object levels without resolution by the Board.

## Trimble Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

### **Note 3 – Changes in Accounting Principle and Restatement of Fund Equity**

***Changes in Accounting Principle*** For fiscal year 2004, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which presents information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District’s programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, “The Financial Reporting Entity”. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2003.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. This Statement had no effect on the budgetary presentation of the School District for fiscal year 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Restatement of Fund Balance** It was determined that the Food Service and Uniform School Supply Enterprise Funds should be reclassified as special revenue funds. This restatement, other adjustments, and the implementation of Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

|  | General            | Title I         | Bond<br>Retirement | Nonmajor         | Total               |
|--|--------------------|-----------------|--------------------|------------------|---------------------|
| Fund Balances, June 30, 2003             | (\$920,025)        | \$53,341        | \$214,906          | \$327,125        | (\$324,653)         |
| Fund Reclassification                    | 0                  | 0               | 0                  | (54,909)         | (54,909)            |
| Intergovernmental Payable                | 0                  | 0               | 0                  | 9,547            | 9,547               |
| Due to/Due from Restatement              | (7,102)            | 0               | 0                  | 7,102            | 0                   |
| Accounts Payable Overstatement           | 0                  | 0               | 0                  | 705              | 705                 |
| Interpretation 6                         | 8,109              | 99              | 0                  | 9,730            | 17,938              |
| Adjusted Fund Balances,<br>June 30, 2003 | <u>(\$919,018)</u> | <u>\$53,440</u> | <u>\$214,906</u>   | <u>\$299,300</u> | <u>(351,372)</u>    |
| GASB 34 Adjustments:                     |                    |                 |                    |                  |                     |
| Capital Assets                           |                    |                 |                    |                  | 17,708,724          |
| Pension Obligation                       |                    |                 |                    |                  | (78,947)            |
| Accrued Interest Payable                 |                    |                 |                    |                  | (7,090)             |
| Long-Term Liabilities                    |                    |                 |                    |                  | (1,875,432)         |
| Long-Term (Deferred) Assets              |                    |                 |                    |                  | <u>228,646</u>      |
| Governmental Activities                  |                    |                 |                    |                  |                     |
| Net Assets, June 30, 2003                |                    |                 |                    |                  | <u>\$15,624,529</u> |

|                                    | Business-Type<br>Activities |
|------------------------------------|-----------------------------|
| Fund Equity, June 20, 2003         | \$76,993                    |
| Fund Reclassification              | <u>(76,993)</u>             |
| Adjusted Net Assets, June 30, 2003 | <u>\$0</u>                  |

**Note 4 – Fund Deficits**

The following funds had deficit fund balances as of June 30, 2004:

|                                 | Deficit   |
|---------------------------------|-----------|
| <b>General Fund</b>             | \$630,160 |
| <b>Special Revenue Funds:</b>   |           |
| Food Service                    | 21,746    |
| Management Information Services | 4,462     |
| Disadvantaged Pupil Impact Aid  | 71,097    |
| School Intervention             | 1,804     |

These deficits resulted from the recognition of deferred revenue on grants and payables in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

## Trimble Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

### Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) presented for the General Fund and the Title I Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Title I Fund.

|                        | General         | Title I           |
|------------------------|-----------------|-------------------|
| GAAP Basis             | \$288,858       | (\$23,693)        |
| Revenue Accruals       | (135,420)       | 32,300            |
| Expenditure Accruals   | (74,894)        | (23,138)          |
| Beginning of the Year: |                 |                   |
| Unreported Cash        | 2,700           | 0                 |
| Prepaid Items          | 20,602          | 0                 |
| End of Year:           |                 |                   |
| Unreported Cash        | (129)           | 0                 |
| Prepaid Items          | (24,975)        | 0                 |
| Advances               | (2,231)         | 0                 |
| Encumbrances           | (3,348)         | (9,520)           |
| Budget Basis           | <u>\$71,163</u> | <u>(\$24,051)</u> |

### Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

## Trimble Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held until maturity.

**Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$661,182 and the bank balance was \$668,461. Of the bank balance:

1. \$134,952 was covered by federal depository insurance; and
2. \$533,509 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The fair value of the investment in STAROhio at June 30, 2004, was \$14,473.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

|                         | Cash and Cash<br>Equivalents/<br>Deposits | Investments            |
|-------------------------|---|------------------------|
| GASB Statement 9        | <u>\$657,266</u>                          | <u>\$18,389</u>        |
| Investments:            |   |                        |
| Certificates of Deposit | 18,389                                    | (18,389)               |
| STAROhio                | (14,473)                                  | 14,473                 |
| GASB Statement 3        | <u><u>\$661,182</u></u>                   | <u><u>\$14,473</u></u> |

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

## **Trimble Local School District, Ohio**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004*

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Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Athens and Morgan Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlements of manufactured home and personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The late settlements and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2004, was \$15,908 in the General Fund and \$3,916 in the Bond Retirement Fund. The amount available as an advance at June 30, 2003, was \$18,972 in the General Fund and \$4,204 in the Bond Retirement Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

## Trimble Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

The assessed values upon which the fiscal year 2004 taxes were collected are:

|   | 2003 Second<br>Half Collections |                | 2004 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
| Real Property                                     | \$29,502,350                    | 83.95%         | \$30,161,480                   | 84.41%         |
| Public Utility Tangible Personal Property         | 3,024,430                       | 8.61%          | 3,034,550                      | 8.49%          |
| Tangible Personal Property                        | 2,615,660                       | 7.44%          | 2,537,798                      | 7.10%          |
| <b>Total</b>                                      | <b>\$35,142,440</b>             | <b>100.00%</b> | <b>\$35,733,828</b>            | <b>100.00%</b> |
| <br>Tax Rate per \$1,000 of Assessed<br>Valuation | <br>\$32.92                     |                | <br>\$32.92                    |                |

### Note 8 - Receivables

Receivables at June 30, 2004, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

| Governmental Activities            | Amounts          |
|------------------------------------|------------------|
| Land Use Fees                      | \$396            |
| School Lunch and Breakfast Program | 25,313           |
| Student Intervention               | 8,774            |
| Summer Intervention                | 5,347            |
| Title VI-B Idea                    | 69,441           |
| Title I                            | 150,107          |
| Innovative Programs                | 3,648            |
| Drug Free Schools                  | 3,026            |
| Handicapped Preschool              | 1,967            |
| Title II-A                         | 64,117           |
| Miscellaneous                      | 3,470            |
| <b>Total</b>                       | <b>\$335,606</b> |

### Note 9 - Risk Management

#### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2004, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (Note 18).

## Trimble Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

The types and amounts of coverage provided by the Ohio School Plan are as follows:

| Property   | Deductible | Limits of Coverage |
|--|------------|--------------------|
| Building and Contents - Replacement Cost             | \$2,500    | \$21,972,294       |
| General Liability:                                   |            |                    |
| Each Occurrence                                      | 0          | 1,000,000          |
| Aggregate Limit                                      | 0          | 3,000,000          |
| Products - Completed Operations Aggregate Limit      | 0          | 1,000,000          |
| Personal and Advertising Injury Limit - Each Offense | 0          | 1,000,000          |
| Fire Damage Limit - Any One Event                    | 0          | 500,000            |
| Errors and Omissions:                                |            |                    |
| Each Occurrence                                      | 2,500      | 1,000,000          |
| Aggregate Limit                                      | 2,500      | 2,000,000          |
| Employers' Liability:                                |            |                    |
| Each Occurrence                                      | 0          | 1,000,000          |
| Disease - Each Employee                              | 0          | 1,000,000          |
| Disease - Policy Limit                               | 0          | 1,000,000          |
| Employee Benefits Liability:                         |            |                    |
| Each Occurrence                                      | 0          | 1,000,000          |
| Aggregate Limit                                      | 0          | 3,000,000          |
| Hazardous Substances                                 | 0          | 25,000             |
| CFC Refrigeration                                    | 0          | 100,000            |
| Spoilage   | 0          | 5,000              |
| Vehicles:  |            |                    |
| Bodily Injury:                                       |            |                    |
| Per Person   | 0          | 1,000,000          |
| Per Accident   | 0          | 1,000,000          |
| Property Damage                                      | 0          | 1,000,000          |
| Uninsured Motorist:                                  |            |                    |
| Per Person   | 0          | 1,000,000          |
| Per Accident   | 0          | 1,000,000          |

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2003.

### **B. Workers' Compensation**

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

|  | Balance at<br>6/30/03 | Additions   | Deductions | Balance at<br>6/30/04 |
|--|-----------------------|-------------|------------|-----------------------|
| Capital Assets:                                |                       |             |            |                       |
| Capital Assets not being Depreciated:          |                       |             |            |                       |
| Land   | \$55,370              | \$0         | \$0        | \$55,370              |
| Depreciable Capital Assets:                    |                       |             |            |                       |
| Land Improvements                              | 638,185               | 0           | 0          | 638,185               |
| Buildings and Improvements                     | 20,793,986            | 0           | 0          | 20,793,986            |
| Furniture, Fixtures, and Equipment             | 1,852,297             | 135,344     | 232,700    | 1,754,941             |
| Vehicles                                       | 822,364               | 0           | 91,000     | 731,364               |
| Total Depreciable Capital Assets               | 24,106,832            | 135,344     | 323,700    | 23,918,476            |
| Less Accumulated Depreciation:                 |                       |             |            |                       |
| Land Improvements                              | 297,825               | 27,468      | 0          | 325,293               |
| Buildings and Improvements                     | 4,354,401             | 406,958     | 0          | 4,761,359             |
| Furniture, Fixtures, and Equipment             | 1,234,594             | 102,860     | 225,117    | 1,112,337             |
| Vehicles                                       | 566,658               | 48,022      | 91,000     | 523,680               |
| Total Accumulated Depreciation                 | 6,453,478             | 585,308 *   | 316,117    | 6,722,669             |
| Total Capital Assets being<br>Depreciated, Net | 17,653,354            | (449,964)   | 7,583      | 17,195,807            |
| Capital Assets, Net                            | \$17,708,724          | (\$449,964) | \$7,583    | \$17,251,177          |

\* Depreciation expense was charged to governmental functions as follows:

|                                    |           |
|------------------------------------|-----------|
| Instruction:                       |           |
| Regular                            | \$206,629 |
| Special                            | 74,748    |
| Vocational                         | 12,130    |
| Support Services:                  |           |
| Pupils                             | 17,030    |
| Instructional Staff                | 55,106    |
| Administration                     | 38,227    |
| Fiscal                             | 10,755    |
| Operation and Maintenance of Plant | 31,301    |
| Pupil Transportation               | 89,641    |
| Food Service Operation             | 38,111    |
| Extracurricular Activities         | 11,630    |
| Total Depreciation Expense         | \$585,308 |

## **Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 11 - Defined Benefit Pension Plans**

#### ***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$112,244, \$114,269, and \$69,457, respectively; 46.38 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

#### ***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

## Trimble Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$503,768, \$527,049, and \$316,433 respectively; 83.78 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$7,772 made by the School District and \$3,617 made by the plan members.

### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 12 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$38,751 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$60,629.

# Trimble Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

## Note 13- Employee Benefits

### A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to sick leave accrual. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for certified employees and 45 days for classified employees.

### B. Insurance Benefits

The School District provides health and major medical insurance for all eligible employees. The School District pays 92.5 percent of the total monthly premiums of \$1,194.12 for family coverage and \$446.93 for single coverage. Premiums are paid from the same funds that pay the employees' salaries. The School District also provides prescription drug insurance to its employees through Anthem Blue Cross/Blue Shield. This plan utilizes a \$5 per generic prescription and \$12 per brand name prescription deductible.

The School District provides life insurance to employees through CoreSource in the amount of \$10,000 for all employees.

Dental coverage is provided through CoreSource. Monthly premiums are \$43.90 for all employees.

### C. Early Retirement Incentive

The School District Board of Education approved an Early Retirement Incentive program for certificated staff. Participation was open to employees who were at least fifty years old and had accumulated 28 years of teaching credit or were sixty years of age and had accumulated five years of teaching credit. The Board agreed to purchase two years of credit. The Board limited the number of employees participating in the plan in any one year to ten certificated employees. The Board had the option of paying the liability in its entirety or in installments. Early retirement incentive payments have been recognized as a liability on the governmental fund financial statements when due. These expenditures are reflected as program/function expenditures on a budgetary basis. This program began on July 1, 2000, and was discontinued on June 30, 2003.

## Note 14 – Fund Obligation

Changes in the fund obligation of the School District during fiscal year 2004 were as follows:

|                             | Outstanding<br>6/30/03 | Additions | Deductions | Outstanding<br>6/30/04 |
|-----------------------------|------------------------|-----------|------------|------------------------|
| State Solvency Advance - 0% | \$379,000              | \$0       | \$189,500  | \$189,500              |

**Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 15 – Capitalized Leases**

In previous fiscal years, the School District had entered into lease agreements for copiers. These lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. Principal payments in fiscal year 2004 totaled \$16,446 in the governmental funds. The capital leases payable have been recorded on the government-wide statements. The agreements provide for minimum annual rental payments as follows:

| <u>Fiscal Year</u>                             | <u>Amount</u>          |
|--|------------------------|
| 2005   | \$23,411               |
| 2006   | 21,922                 |
| 2007   | <u>13,457</u>          |
| Total Minimum Lease Payments                   | 58,790                 |
| Less: Amount Representing Interest             | <u>(6,431)</u>         |
| Present Value of Net Minimum<br>Lease Payments | <u><u>\$52,359</u></u> |

The equipment has been capitalized in the amount of \$88,974, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of June 30, 2004, was \$44,487, leaving a remaining book value of \$44,487.

**Note 16 – Long Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2004 were as follows:

|  | <u>Outstanding<br/>6/30/03</u> | <u>Additions</u>        | <u>Deductions</u>       | <u>Outstanding<br/>6/30/04</u> | <u>Due in<br/>One Year</u> |
|--|--------------------------------|-------------------------|-------------------------|--------------------------------|----------------------------|
| <b>Governmental Activities:</b>                        |                                |                         |                         |                                |                            |
| 2000 6.322% Classroom<br>Facilities Bonds              | \$880,000                      | \$0                     | \$25,000                | \$855,000                      | \$25,000                   |
| 1985 9.75% School<br>Facilities Nonds                  | <u>315,000</u>                 | <u>0</u>                | <u>45,000</u>           | <u>270,000</u>                 | <u>45,000</u>              |
| Total General Obligation Bonds                         | <u>1,195,000</u>               | <u>0</u>                | <u>70,000</u>           | <u>1,125,000</u>               | <u>70,000</u>              |
| Capital Leases   | 68,805                         | 0                       | 16,446                  | 52,359                         | 19,450                     |
| Early Retirement Incentive                             | 77,296                         | 0                       | 77,296                  | 0                              | 0                          |
| Compensated Absences                                   | <u>534,331</u>                 | <u>100,698</u>          | <u>74,569</u>           | <u>560,460</u>                 | <u>65,278</u>              |
| Total Governmental Activities<br>Long-Term Liabilities | <u><u>\$1,875,432</u></u>      | <u><u>\$100,698</u></u> | <u><u>\$238,311</u></u> | <u><u>\$1,737,819</u></u>      | <u><u>\$154,728</u></u>    |

## Trimble Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**Classroom Facilities General Obligation Bonds** The School District issued general obligation bonds for \$968,000 as a result of the School District being approved for a \$12,601,001 school facilities grant through the Ohio School Facilities Commission for a new addition to and reconstruction of the elementary/middle school and reconstruction of the high school. The School District issued the bonds on May 15, 2000, to provide the required local match for the school facilities loan. As a requirement of the loans, the School District was required to pass a 3.02 mill levy. 2.52 mills will be used to repay the debt issue which provided the matching funds required of the School District. The remaining .5 mills is used for facilities maintenance.

**School Facilities General Obligation Bonds** The School District issued general obligation bonds for \$955,000 as a result of the School District being approved for a \$4,327,815 school facilities grant through the Ohio School Facilities Commission for the construction of a new high school. The School District issued the bonds on October 1, 1985, to provide the required local match for the school facilities loan. As a requirement of the loans, the School District was required to pass a 2.5 mill levy. 2 mills will be used to repay the debt issue which provided the matching funds required of the School District. The remaining .5 mills is used for facilities maintenance.

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2004, are as follows:

| Fiscal Year<br>Ending June 30, | Principal          | Interest         | Total              |
|--------------------------------|--------------------|------------------|--------------------|
| 2005                           | \$70,000           | \$77,991         | \$147,991          |
| 2006                           | 70,000             | 72,298           | 142,298            |
| 2007                           | 75,000             | 66,451           | 141,451            |
| 2008                           | 75,000             | 60,451           | 135,451            |
| 2009                           | 75,000             | 54,436           | 129,436            |
| 2010 - 2014                    | 230,000            | 211,515          | 441,515            |
| 2015 - 2019                    | 260,000            | 137,363          | 397,363            |
| 2020 - 2023                    | 270,000            | 38,138           | 308,138            |
|                                | <u>\$1,125,000</u> | <u>\$718,643</u> | <u>\$1,843,643</u> |

Capital leases will be paid from the General Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, and the Food Service, Disadvantaged Pupil Impact Aid, Title VI-B Idea, Title I, Handicapped Preschool, and the Title II-A Special Revenue Funds.

The School District's overall legal debt margin was \$3,216,045, with an unvoted debt margin of \$35,734 at June 30, 2004.

### Note 17 - Jointly Governed Organizations

#### A. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Education Consortium (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The School District paid SEOVEC \$12,512 for services provided during the fiscal year. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

## **Trimble Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### ***B. Tri-County Career Center***

The Tri-County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven appointed representatives from the eight participating school districts. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Tri-County Career Center, Laura F. Carney, CPA, Treasurer, at 15676 State Route 691, Nelsonville, Ohio 45764.

### ***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools (Coalition) consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid the Coalition \$300 for services provided during the year.

### ***D. South Eastern Ohio Special Education Regional Resource Center***

The South Eastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representative of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Trimble Local School District's superintendent is an alternate of the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

## **Note 18 - Insurance Purchasing Pool**

### ***A. Ohio School Boards Association Workers' Compensation Group Rating Program***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

### ***B. Ohio School Plan***

The School District participates in the Ohio School Plan (OSP), and insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services.

## Trimble Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc.. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between the OSP and its member schools.

### Note 19 – Interfund Activity and Balances

#### A. Transfers

Transfers made during fiscal year 2004 were as follows:

| Transfer from             | Transfer to                            |                                   | Total     |
|---------------------------|--|-----------------------------------|-----------|
|                           | Classroom<br>Facilities<br>Maintenance | Other<br>Nonmajor<br>Governmental |           |
| General Fund              | \$0                                    | \$40,121                          | \$40,121  |
| Classroom Facilities Fund | 122,977                                | 0                                 | 122,977   |
| <br>Total All Funds       | \$122,977                              | \$40,121                          | \$163,098 |

General Fund transfers are made to move unrestricted balances to support programs or projects accounted for in other funds. The Classroom Facilities Capital Projects Fund transfer to the Classroom Facilities Maintenance Special Revenue Fund was made to close out the Capital Projects Fund at the end of the School Facilities project.

#### B. Interfund Balances

Interfund Balances at June 30, 2004, consisted of the following for services provided by the General Fund:

|                               | Interfund<br>Receivables | Interfund<br>Payables |
|-------------------------------|--------------------------|-----------------------|
| <b>General Fund</b>           | \$2,464                  | \$0                   |
| <b>Special Revenue Funds:</b> |                          |                       |
| Athletics                     | 0                        | 233                   |
| Drug Free Schools             | 0                        | 2,231                 |
| Total Special Revenue Funds   | 0                        | 2,464                 |
| Total All Funds               | \$2,464                  | \$2,464               |

### Note 20 - Contingencies

#### A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

## Trimble Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

### B. Litigation

The School District is currently not a party to any legal proceedings.

#### Note 21 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula 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 fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior fiscal years, the School District was required to set-aside money for budget stabilization.

The following cash basis information describes the changes in the fiscal year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

|   | <u>Textbooks</u> | <u>Capital<br/>Improvements</u> |
|---|------------------|---------------------------------|
| Set-Aside Reserve Balance as of<br>as of June 30, 2003      | \$39,888         | (\$968,000)                     |
| Current Year Set-Aside Requirement                          | 112,152          | 112,152                         |
| Current Year Offsets  | 0                | (202,969)                       |
| Qualifying Disbursements                                    | <u>(125,764)</u> | <u>(7,580)</u>                  |
| Totals  | <u>\$26,276</u>  | <u>(\$1,066,397)</u>            |
| Set-Aside Balance Carried Forward<br>to Future Fiscal Years | <u>\$26,276</u>  | <u>(\$968,000)</u>              |
| Set-Aside Reserve Balance as of June 30, 2004               | <u>\$26,276</u>  | <u>\$0</u>                      |

The School District had qualifying expenditures during the previous fiscal years that reduced the capital improvement set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years.

#### Note 22 - 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 decision 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 its future State funding and on its financial operations.

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

| <b>FEDERAL GRANTOR</b><br><i>Pass-through Grantor</i><br>Program Title | Federal<br>CFDA<br>Number | Pass-through<br>Entity<br>Number                    | Receipts                              | Non-cash<br>Receipts    | Disbursements                         | Non-cash<br>Disbursements |
|--|---------------------------|---|---------------------------------------|-------------------------|---------------------------------------|---------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>                         |                           |   |                                       |                         |                                       |                           |
| <i>Passed through Ohio Department of Education:</i>                    |                           |   |                                       |                         |                                       |                           |
| Nutrition Cluster:   |                           |   |                                       |                         |                                       |                           |
| Food Donation  | 10.550                    | N/A   | \$                                    | \$ 32,286               | \$                                    | \$ 32,286                 |
| School Breakfast Program   | 10.553                    | 05PU-2003<br>05PU-2004                              | 10,557<br>41,312                      |                         | 10,557<br>41,312                      |                           |
| Total School Breakfast Program   |                           |   | <u>51,869</u>                         | <u>0</u>                | <u>51,869</u>                         | <u>0</u>                  |
| National School Lunch Program  | 10.555                    | LLP4-2003<br>LLP4-2004                              | 29,183<br>132,305                     |                         | 29,183<br>132,305                     |                           |
| Total National School Lunch Program                                    |                           |   | <u>161,488</u>                        | <u>0</u>                | <u>161,488</u>                        | <u>0</u>                  |
| Total Nutrition Cluster  |                           |   | 213,357                               | 32,286                  | 213,357                               | 32,286                    |
| Team Nutrition Grants  | 10.574                    | TWAD-2004   | <u>2,000</u>                          |                         | <u>2,000</u>                          |                           |
| Total United States Department of Agriculture                          |                           |   | 215,357                               | 32,286                  | 215,357                               | 32,286                    |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>                           |                           |   |                                       |                         |                                       |                           |
| <i>Passed through Ohio Department of Education:</i>                    |                           |   |                                       |                         |                                       |                           |
| Title I Grants to Local Educational Agencies                           | 84.010                    | C1S1-2003<br>C1S1-2004                              | 97,776<br>459,379                     |                         | 134,985<br>431,263                    |                           |
| Total Title I Grants to Local Educational Agencies                     |                           |   | <u>557,155</u>                        | <u>0</u>                | <u>566,248</u>                        | <u>0</u>                  |
| Special Education Cluster:   |                           |   |                                       |                         |                                       |                           |
| Special Education - Grants to States                                   | 84.027                    | 6BSD-2003P<br>6BSD-2004P<br>6BSF-2003P<br>6BSF-2004 | 21,000<br>15,750<br>21,076<br>164,176 |                         | 27,175<br>11,649<br>41,434<br>158,622 |                           |
| Total Special Education - Grants to States                             |                           |   | <u>222,002</u>                        | <u>0</u>                | <u>238,880</u>                        | <u>0</u>                  |
| Special Education - Preschool Grants                                   | 84.173                    | PG-S1-2002<br>PG-S1-2003P<br>PG-S1-2004             | 440<br>7,658                          |                         | 22<br>1,520<br>7,071                  |                           |
| Total Special Education Preschool Grants                               |                           |   | <u>8,098</u>                          | <u>0</u>                | <u>8,613</u>                          | <u>0</u>                  |
| Total Special Education Cluster  |                           |   | 230,100                               | 0                       | 247,493                               | 0                         |
| Safe and Drug-Free Schools and Communities - State Grants              | 84.186                    | DRS1-2003<br>DRS1-2004                              | 1,697<br>10,209                       |                         | 7,451<br>10,179                       |                           |
| Total Safe and Drug-Free Schools and Communities - State Grants        |                           |   | <u>11,906</u>                         | <u>0</u>                | <u>17,630</u>                         | <u>0</u>                  |
| State Grants for Innovative Programs                                   | 84.298                    | C2S1-2003<br>C2S1-2004                              | 1,559<br>3,221                        |                         | 3,083<br>3,083                        |                           |
| Total State Grants for Innovative Programs                             |                           |   | <u>4,780</u>                          | <u>0</u>                | <u>3,083</u>                          | <u>0</u>                  |
| Education Technology State Grants                                      | 84.318                    | TJS1-2003<br>TJS1-2004                              | 14,637                                |                         | 291<br>12,908                         |                           |
| Total Education Technology State Grants                                |                           |   | <u>14,637</u>                         | <u>0</u>                | <u>13,199</u>                         | <u>0</u>                  |
| Comprehensive School Reform Demonstration                              | 84.332                    | RF-S1-2002<br>RF-S2-2003                            | 25,635<br>57,484                      |                         | 41,117<br>47,441                      |                           |
| Total Comprehensive School Reform Demonstration                        |                           |   | <u>83,119</u>                         | <u>0</u>                | <u>88,558</u>                         | <u>0</u>                  |
| School Renovation, IDEA, and Technology                                | 84.352A                   | ATS3-2002   | (78)                                  | 0                       | 16,695                                | 0                         |
| Rural Education  | 84.358                    | RU-S1-2003<br>RU-S1-2004                            | (15)<br>26,417                        |                         | 1,985<br>23,969                       |                           |
| Total Rural Education  |                           |   | <u>26,402</u>                         | <u>0</u>                | <u>25,954</u>                         | <u>0</u>                  |
| Improving Teacher Quality State Grants                                 | 84.367                    | TRS1-2003<br>TRS1-2004                              | 4,179<br>86,652                       |                         | 16,959<br>81,699                      |                           |
| Total Improving Teacher Quality State Grants                           |                           |   | <u>90,831</u>                         | <u>0</u>                | <u>98,658</u>                         | <u>0</u>                  |
| Total United States Department of Education                            |                           |   | 1,018,852                             | 0                       | 1,077,518                             | 0                         |
| <b>Total Federal Awards Receipts and Expenditures</b>                  |                           |   | <u><b>\$ 1,234,209</b></u>            | <u><b>\$ 32,286</b></u> | <u><b>\$ 1,292,875</b></u>            | <u><b>\$ 32,286</b></u>   |

*The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – TRANSFERS**

During 2004, the Ohio Department of Education (ODE) authorized the School District to transfer unneeded funds to other grants as well as carryover monies from the prior fiscal year to the current fiscal year. Authorized transfers and carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. Also during 2004, the School District refunded to the Ohio Department of Education monies that were not expended during the period of availability. Refunds to the Ohio Department of Education are shown as a reduction of federal revenue in the accompanying Schedule. A detailed listing of the transfers/carryovers and refunds are as follows:

| CFDA<br>Number | Program Title  | Pass-<br>Through<br>Entity<br>Number | Transfers<br>Out | Transfers<br>In  | Refunds      |
|----------------|--|--------------------------------------|------------------|------------------|--------------|
| 84.010         | Title I Grants to Local Educational Agencies                 | C1-S1-2003                           | \$ 8,412         |                  |              |
| 84.010         | Title I Grants to Local Educational Agencies                 | C1-S1-2004                           |                  | \$ 8,412         |              |
| 84.173         | Special Education - Preschool Grants                         | PG-S1-2003P                          | 12               |                  |              |
| 84.173         | Special Education - Preschool Grants                         | PG-S1-2004                           |                  | 12               |              |
| 84.186         | Safe and Drug-Free Schools and Communities<br>- State Grants | DR-S1-2003                           | 575              |                  |              |
| 84.186         | Safe and Drug-Free Schools and Communities<br>- State Grants | DR-S1-2004                           |                  | 575              |              |
| 84.352A        | School Renovation, IDEA, and Technology                      | AT-S3-2002                           |                  |                  | \$ 78        |
| 84.358         | Rural Education  | RU-S1-2003                           | 15               |                  |              |
| 84.358         | Rural Education  | RU-S1-2004                           |                  | 15               |              |
| 84.367         | Improving Teacher Quality State Grants                       | TR-S1-2003                           | 8,867            |                  |              |
| 84.367         | Improving Teacher Quality State Grants                       | TR-S1-2004                           |                  | 8,867            |              |
|                |  | Total                                | <u>\$ 17,881</u> | <u>\$ 17,881</u> | <u>\$ 78</u> |



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Trimble Local School District  
Athens County  
1 Tomcat Drive  
Glouster, Ohio 45732

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Trimble Local School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 2, 2005, wherein we noted the School District implemented Governmental Accounting Standards Board Statements 34, 37, 38, 39 and 41 and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the School District's management in a separate letter dated February 2, 2005.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the School District's management in a separate letter dated February 2, 2005.

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Trimble Local School District  
Athens County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 2, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Trimble Local School District  
Athens County  
1 Tomcat Drive  
Glouster, Ohio 45732

To the Board of Education:

#### Compliance

We have audited the compliance of the Trimble Local School District, Athens County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

#### Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require the inclusion in this report that we have reported to the School District's management in a separate letter February 2, 2005.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 2, 2005

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |  |   |
|---------------------|--|---|
| <i>(d)(1)(i)</i>    | <b>Type of Financial Statement Opinion</b>   | Unqualified   |
| <i>(d)(1)(ii)</i>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>    | No  |
| <i>(d)(1)(ii)</i>   | <b>Were there any other reportable conditions reported at the financial statement level (GAGAS)?</b>             | No  |
| <i>(d)(1)(iii)</i>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                   | No  |
| <i>(d)(1)(iv)</i>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>         | No  |
| <i>(d)(1)(iv)</i>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b> | No  |
| <i>(d)(1)(v)</i>    | <b>Type of Major Programs' Compliance Opinion</b>  | Unqualified   |
| <i>(d)(1)(vi)</i>   | <b>Are there any reportable findings under § .510?</b>   | No  |
| <i>(d)(1)(vii)</i>  | <b>Major Programs (list):</b>  | Title I Grants to Local Educational Agencies – CFDA #84.010 |
| <i>(d)(1)(viii)</i> | <b>Dollar Threshold: Type A/B Programs</b>   | Type A: > \$300,000<br>Type B: all others                   |
| <i>(d)(1)(ix)</i>   | <b>Low Risk Auditee?</b>   | Yes   |

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Auditor of State  
Betty Montgomery**

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800-282-0370  
Facsimile 614-466-4490

**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 8, 2005**