

EAST LIVERPOOL CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

**FISCAL WATCH
TERMINATION**

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
FISCAL WATCH TERMINATION**

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FISCAL WATCH TERMINATION

Pursuant to a request to the Auditor of State by the East Liverpool City School District Board of Education to remove the District from Fiscal Watch, the Auditor of State has determined that the East Liverpool City School District has met the conditions set forth in the Ohio Department of Education's "Guidelines for Release from Fiscal Watch." The East Liverpool City School District's status of Fiscal Watch is hereby terminated as of April 3, 2000.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Richard Keith Wolf, President of the Board of Education of the East Liverpool City School District, Donald A. Lowe, Interim Superintendent of the East Liverpool City School District, Delores Satow, Mayor of the City of East Liverpool, Thomas W. Johnson, Director of Budget and Management, and Dr. Susan Tave Zelman, State Superintendent of Public Instruction.

JIM PETRO
Auditor of State

April 3, 2000

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

FISCAL WATCH TERMINATION ANALYSIS

Section 3316.03, Revised Code, requires the Auditor of State to declare a school district to be in a state of fiscal watch if the Auditor of State determines that the district has met all of the conditions prescribed in Section 3316.03(A). The conditions are summarized as follows:

- An operating deficit has been certified by the Auditor of State that exceeds eight percent of the district's general fund revenue for the preceding fiscal year.
- The unencumbered cash balance of the general fund, reduced by any advance of property taxes, was less than eight percent of the district's general fund expenditures for the preceding fiscal year.
- A levy has not been passed by the voters that will raise enough additional revenue in the succeeding year that will result in the first two conditions not being met in the succeeding year.

The analysis conducted of the East Liverpool City School District dated September 19, 1996 for the purpose of determining whether the District met the conditions outlined above resulted in the Auditor of State certifying an operating deficit for the general fund in the amount of \$1,827,000. This amount exceeded eight percent of the general fund revenues of the prior fiscal year. The East Liverpool City School District's unencumbered cash balance for the preceding fiscal year was \$1,006,000 which was less than eight percent of the expenditures for the preceding fiscal year. Additionally, the District had not passed a levy as of September 19, 1996 that would eliminate the first two conditions. As a result, the Auditor of State declared the East Liverpool City School District to be in a state of fiscal watch as defined by Section 3316.03(A), Revised Code.

GUIDELINES FOR REMOVAL FROM FISCAL WATCH

The procedures for removing a district from fiscal watch are set forth in "Guidelines for Release from Fiscal Watch," developed by the Ohio Department of Education. The guidelines permit a district to submit a request for release from fiscal watch in the fiscal year following the fiscal year in which the Auditor of State designated the district in fiscal watch. A district may not request release from fiscal watch in the same fiscal year in which the Auditor of State made the designation. Additionally, a district may not request release from fiscal watch until the State Superintendent of Public Instruction has approved the financial recovery plan of the district.

The steps for districts seeking release are as follows:

1. The district must adopt a resolution requesting release from fiscal watch. A copy of the resolution requesting release must be submitted to the Auditor of State and the State Superintendent of Public Instruction.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

FISCAL WATCH TERMINATION ANALYSIS

GUIDELINES FOR REMOVAL FROM FISCAL WATCH (continued)

2. The district must prepare a financial forecast for the current fiscal year for the purpose of demonstrating whether the fiscal watch conditions have been eliminated. The Auditor of State will conduct an examination of the one-year financial forecast of the district to insure that the district no longer meets the criteria identified in Section 3316.03(A).
3. The Department of Education will conduct a separate financial analysis and an in-depth review of the financial plan to insure that the district will avoid future fiscal watch conditions.
4. In concurring on the release, the Auditor of State and State Superintendent will have satisfied themselves of the following:
 - A. **Fiscal Watch Condition** - The fiscal watch criteria outlined in Section 3316.03(A), Revised Code, have been corrected or eliminated and it appears the district will remain out of fiscal watch for the next five years as demonstrated in the financial forecast prepared by the district.
 - B. **Financial Recovery Plan** - objectives of the financial recovery plan are being met or are in the process of being met.
 - C. **Accounting Policies** - policies for sound accounting, purchasing and reporting are adopted and are in the process of being implemented.
5. The Auditor of State will issue a notice of termination of fiscal watch if the Auditor of State and the Department of Education concur that the above conditions have been satisfied.

ANALYSIS OF WORK PERFORMED

Fiscal Watch Conditions

Pursuant to the request of the Board of Education of the East Liverpool City School District, Columbiana County, Ohio, the Auditor of State examined the District's financial forecast for the fiscal year ending June 30, 2000 for the purpose of determining whether the fiscal watch condition has been eliminated. The District also provided the Auditor of State and the Department of Education with a five year forecast for the period ending June 30, 2004 to demonstrate that the District will remain out of fiscal watch.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

FISCAL WATCH TERMINATION ANALYSIS

Fiscal Watch Conditions (continued)

Our examination of the District's financial forecast for the year ended June 30, 2000 and the information contained in the District's five year forecast disclosed the following:

1. At June 30, 2000, the general fund is forecasted to have a positive unreserved fund balance in the amount of \$2,488,000.
2. The five-year financial forecast demonstrates that the District has included increases in revenues based upon anticipated growth and historical information. The five-year financial forecast also reflects increases in expenditures based upon historical trends and anticipated spending. The general fund is forecasted to have a positive unreserved fund balance through fiscal year 2004 as reflected in the District's five year forecast.

In summary, the fiscal watch condition has been corrected and it appears that the District will remain out of fiscal watch for the next five years.

Financial Recovery Plan

We obtained a copy of the latest financial plan of the District dated September 29, 1997 and were able to summarize the progress of implementation of the provisions of the financial plan. The progress is as follows:

1. All educational programs remained the same;
2. Personnel salaries were not increased beyond the current negotiated agreements;
3. The elimination of teaching positions and other positions has been maintained;
4. Building-based budgets have increased over the fiscal years 1997, 1998 and 1999;
and
5. The purchase of textbooks and bus replacements has been reinstated.

We reviewed the objectives of the financial recovery plan and determined that the District has implemented or is in the process of implementing the plan.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

FISCAL WATCH TERMINATION ANALYSIS

Accounting Policies

As part of the termination process, we reviewed the most recent audit report issued by the Auditor of State's Office, discussed any accounting deficiencies with Auditor of State personnel, and through inquiry of the District officials and observation of the District records determined that all of the financial accounting and reporting system are functioning adequately. We also reviewed monthly monitoring reports of School District activity prepared by the Ohio Department of Education. The District currently:

1. Performs monthly reconciliations.
2. Deposits receipts in the bank on a timely basis.
3. Properly accounts for the receipt of merchandise.
4. Does not receive goods on canceled purchase orders.
5. Maintains records for consumable inventory and fixed assets.
6. Files the tax budget with the Columbiana County Budget Commission on a timely basis.
7. Reported the cash fund balances and outstanding encumbrances to the Columbiana County Budget Commission on a timely basis for the year ended June 30, 1999.
8. Follows the provisions of the Ohio Revised Code and Ohio Administrative Rules throughout the budgetary process. The District adopts annual appropriations, files all necessary budgetary information with the Columbiana County Auditor and the Ohio Department of Education, and issues proper documents with appropriate approval for all purchases.
9. Maintains all financial information including revenue, expenditure, payroll and EMIS information. The District utilizes the Uniform School Accounting System through SPARCC, its computer consortium.
10. Executes 5705.412 certifications for all appropriation measures and major contracts.
11. Continuously monitors revenue flows and expenditure levels by maintaining an up-to-date five year forecast.
12. Prepares annual financial reports in accordance with generally accepted accounting principles which are audited every year. The financial statements for the year ended June 30, 1999 were audited by the Auditor of State and we expressed an unqualified opinion on these statements in our report dated January 11, 2000.

In summary, pursuant to the review of the aforementioned areas, the District appears to have policies in place for sound accounting, purchasing and reporting procedures.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

FISCAL WATCH TERMINATION ANALYSIS

CONCLUSION

The financial forecast for the fiscal year ending June 30, 2000 has been examined by the Auditor of State and the opinion states that the forecasted schedules conform with guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants (AICPA) and the underlying assumptions provide a reasonable basis for the Board's assumptions. In addition, the District's five year forecast for the years ending June 30, 2004 has been reviewed by the Auditor of State and the Ohio Department of Education as part of the termination analysis. The Auditor of State and the Ohio Department of Education concur that the information presented in these forecasts demonstrates that the District will remain out of fiscal watch for the five year period ending June 30, 2004, the objectives of the financial recovery plan are being met, and policies for sound accounting, purchasing and reporting are adopted and are in the process of being implemented. Based on this analysis, the Auditor of State's Office has determined that the fiscal watch may be terminated.

It is understood that this report's determination is for the use of the District's Board of Education, the Superintendent of the East Liverpool City School District, the Director of Budget and Management, the State Superintendent of Public Instruction, and the Auditor of the State of Ohio, and others as designated by the Auditor of State, and is not to be used for any other purpose.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

FISCAL WATCH TERMINATION ANALYSIS

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

COLUMBIANA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 1997, 1998 AND 1999 ACTUAL;
FISCAL YEARS ENDING JUNE 30, 2000, 2001, 2002, 2003 AND 2004 FORECASTED
GENERAL FUND

	Fiscal Year 1997 Actual	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Forecasted	Fiscal Year 2001 Forecasted	Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted
Revenues								
General Property Tax	\$3,062,000	\$3,115,000	\$3,236,000	\$3,413,000	\$3,010,000	\$2,612,000	\$2,747,000	\$2,887,000
Tangible Personal Property Tax	937,000	909,000	803,000	752,000	656,000	656,000	656,000	656,000
Unrestricted Grants-in-Aid	10,022,000	11,785,000	13,727,000	13,500,000	13,770,000	14,045,000	14,326,000	14,613,000
Restricted Grants-in-Aid	905,000	941,000	994,000	981,000	1,014,000	1,048,000	1,083,000	1,120,000
Property Tax Allocation	457,000	468,000	470,000	504,000	442,000	384,000	404,000	424,000
All Other Revenues	1,255,000	1,122,000	900,000	838,000	768,000	768,000	768,000	768,000
<i>Total Revenues</i>	<u>16,638,000</u>	<u>18,340,000</u>	<u>20,130,000</u>	<u>19,988,000</u>	<u>19,660,000</u>	<u>19,513,000</u>	<u>19,984,000</u>	<u>20,468,000</u>
Other Financing Sources								
Proceeds from Sale of Notes	125,000	0	0	0	0	0	0	0
Operating Transfers In	152,000	441,000	0	0	0	0	0	0
Advances In	19,000	3,000	45,000	127,000	86,000	100,000	100,000	100,000
<i>Total Other Financing Sources</i>	<u>296,000</u>	<u>444,000</u>	<u>45,000</u>	<u>127,000</u>	<u>86,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>16,934,000</u>	<u>18,784,000</u>	<u>20,175,000</u>	<u>20,115,000</u>	<u>19,746,000</u>	<u>19,613,000</u>	<u>20,084,000</u>	<u>20,568,000</u>
Expenditures								
Personal Services	10,655,000	11,634,000	12,021,000	12,470,000	12,932,000	13,449,000	13,987,000	14,547,000
Employees' Retirement/Insurance Benefits	3,685,000	3,489,000	3,776,000	4,023,000	4,184,000	4,351,000	4,525,000	4,706,000
Purchased Services	852,000	1,032,000	1,277,000	1,297,000	1,329,000	1,362,000	1,396,000	1,431,000
Supplies and Materials	273,000	345,000	472,000	496,000	508,000	521,000	534,000	547,000
Capital Outlay	5,000	110,000	69,000	132,000	135,000	138,000	142,000	146,000
Debt Service:								
Principal-Notes	1,076,000	0	210,000	209,000	210,000	214,000	217,000	87,000
Interest and Fiscal Charges	37,000	0	83,000	74,000	58,000	44,000	30,000	18,000
Other Objects	320,000	188,000	355,000	359,000	359,000	359,000	359,000	359,000
<i>Total Expenditures</i>	<u>16,903,000</u>	<u>16,798,000</u>	<u>18,263,000</u>	<u>19,060,000</u>	<u>19,715,000</u>	<u>20,438,000</u>	<u>21,190,000</u>	<u>21,841,000</u>
Other Financing Uses								
Operating Transfers Out	0	1,507,000	111,000	111,000	111,000	111,000	111,000	111,000
Advances Out	0	0	127,000	86,000	100,000	100,000	100,000	100,000
All Other Financing Uses	454,000	297,000	0	0	0	0	0	0
<i>Total Other Financing Uses</i>	<u>454,000</u>	<u>1,804,000</u>	<u>238,000</u>	<u>197,000</u>	<u>211,000</u>	<u>211,000</u>	<u>211,000</u>	<u>211,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>17,357,000</u>	<u>18,602,000</u>	<u>18,501,000</u>	<u>19,257,000</u>	<u>19,926,000</u>	<u>20,649,000</u>	<u>21,401,000</u>	<u>22,052,000</u>
<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	<u>(423,000)</u>	<u>182,000</u>	<u>1,674,000</u>	<u>858,000</u>	<u>(180,000)</u>	<u>(1,036,000)</u>	<u>(1,317,000)</u>	<u>(1,484,000)</u>
<i>Cash Balance July 1</i>	<u>1,081,000</u>	<u>658,000</u>	<u>840,000</u>	<u>2,514,000</u>	<u>3,372,000</u>	<u>3,192,000</u>	<u>2,156,000</u>	<u>839,000</u>
<i>Cash Balance June 30 without Renewal Levy</i>	<u>658,000</u>	<u>840,000</u>	<u>2,514,000</u>	<u>3,372,000</u>	<u>3,192,000</u>	<u>2,156,000</u>	<u>839,000</u>	<u>(645,000)</u>
<i>Estimated Encumbrances June 30</i>	<u>312,000</u>	<u>140,000</u>	<u>414,000</u>	<u>421,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Reservation of Fund Balance								
Textbooks and Instructional Materials	0	0	43,000	31,000	55,000	71,000	83,000	90,000
DPIA	0	0	109,000	109,000	76,000	43,000	10,000	0
Budget Reserve	0	0	289,000	289,000	289,000	289,000	289,000	289,000
Bus Purchases	120,000	85,000	151,000	34,000	25,000	16,000	6,000	0
<i>Subtotal</i>	<u>120,000</u>	<u>85,000</u>	<u>592,000</u>	<u>463,000</u>	<u>445,000</u>	<u>419,000</u>	<u>388,000</u>	<u>379,000</u>
<i>Unreserved Fund Balance June 30</i>	<u>226,000</u>	<u>615,000</u>	<u>1,508,000</u>	<u>2,488,000</u>	<u>2,447,000</u>	<u>1,437,000</u>	<u>151,000</u>	<u>(1,324,000)</u>
General Property Tax (Levy Renewal)	0	0	0	0	607,000	1,821,000	3,035,000	4,249,000
<i>Unreserved Fund Balance June 30 (with Levy)</i>	<u>\$226,000</u>	<u>\$615,000</u>	<u>\$1,508,000</u>	<u>\$2,488,000</u>	<u>\$3,054,000</u>	<u>\$3,258,000</u>	<u>\$3,186,000</u>	<u>\$2,925,000</u>

See accompanying summary of significant forecast assumptions and accounting policies

Note: Schedule includes general fund, DPIA fund, textbook fund and any portion of debt service fund related to general fund debt.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

Nature of Presentation

This financial forecast presents, to the best of the East Liverpool City School District Board of Education's knowledge and belief, the expected revenues, expenditures and changes in fund balance of the general fund for the forecast period. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and their expected course of action as of February 15, 2000, the date of this forecast. The forecast is designed to present the revenues, expenditures and changes in fund balance for the purpose of determining whether the School District will remain out of fiscal watch through June 30, 2004 and should not be used for any other purpose. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

1. General Assumptions

The East Liverpool City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations.

The forecast schedule includes the general fund, the DPIA fund, textbook subsidy fund and any portion of the debt service fund that relates to general fund debt.

The forecast contains those expenditures the Board has determined to be necessary to provide for an adequate educational program.

2. Revenue and Other Financing Source Assumptions

Property Taxes

Property taxes consist of real estate, public utility real and personal property, tangible personal property, and trailer taxes. Advances may be requested from the Columbiana County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer's fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

General Property Tax (Real Estate)

The general property tax revenue amounts are based upon tax revenues expected to be received from the Columbiana County Auditor. Included in this revenue source are real estate tax revenues only. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

Based upon these estimates and historical trends, the School District anticipates approximately 3.7 percent annual increases through fiscal year 2004 based on growth in property values. The School District currently has a 9.0 mill levy that will expire in November, 2001. The District will make every effort to renew the levy. The forecast revenue for fiscal year 2001 has been reduced by \$529,000 to reflect the loss of one-half the annual revenue of the expiring levy. Fiscal years 2002 through 2004 have been reduced by \$1,058,000 annually to reflect the full year's loss of the levy.

The School District is placing a 7.1 mill levy on the March 2000 ballot and which is reflected under levy renewal in the forecast. If passed, this levy will generate \$1,058,000 annually, effective January, 2001.

Tangible Personal Property Tax

This revenue source consists of tangible personal property tax revenue. The first \$10,000 of tangible personal property is exempt from taxation. The State reimburses the School District for all revenue lost due to this exemption. The amount of this exemption is included in the forecasted tangible personal property tax revenue account.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented with regard to the taxing structure of public utilities (namely electric companies). Accordingly, no adjustments have been made to reflect any potential reduction of property tax revenues during the forecast period.

Additionally, the Ohio legislature passed and the Governor approved legislation during 1999 calling for the reduction in the assessed valuation percentage for the inventory of the personal property tax to be one percent a year over the next 25 year period. The School District has incorporated a reduction in the forecasted personal property tax collections.

Tangible personal property tax revenues for fiscal year 2000 are based upon confirmation received from the Columbiana County Auditor, which is a decrease from the prior fiscal year. The decrease is due to lower levels of inventories held by business in the area.

Tangible personal property tax revenues are forecasted to decrease in fiscal year 2001 mainly due to the expiration of the 9.0 mill levy. As stated above, the District will make every effort to renew this levy. The remaining three years will remain constant over the forecast period.

Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the semi-monthly payments for contributions to the two school retirement systems are included in the expenditure section of the forecast.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

This revenue source includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid (a portion is also restricted as explained below), extended service, gifted aid, transportation, vocational education, and equalization enhancement revenues received from the State Department of Education, Division of School Finance.

Forecasted amounts are based on current information provided by the State Department of Education. The forecast reflects a decrease in fiscal year 2000 from the prior fiscal year due to lower pupil enrollment. Fiscal years 2001 through 2004 project an annual increase of approximately two percent in foundation revenues due to an expected increase in the per pupil aid amount, along with stable enrollment.

Restricted Grants-in-Aid

Restricted grants-in-aid in fiscal year 2000 consists of actual receipts of a bus purchase allowance and disadvantaged pupil impact aid. The School District anticipates the continuation bus funding for the forecast period. Also included is disadvantaged pupil impact aid (DPIA) funding with annual increases of approximately two percent projected in fiscal years 2000 through 2004.

Property Tax Allocation

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

For the forecast period property tax allocation revenue is forecasted to remain stable; however, a portion of the proceeds are reflected as revenue to be generated from the renewal levy.

All Other Revenues

All other revenues consist primarily of earnings on investments, tuition and fees, sale of assets, and other miscellaneous revenues.

The School District expects other revenues to decrease from the forecast year 2000 due to less sales of assets. Fiscal years 2001 through 2004 are expected to remain stable.

Proceeds of Notes

The School District anticipates no proceeds of notes for the fiscal years 2000 through 2004.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

All Other Financing Sources

Advances in are the only revenues forecasted to be received as other financing sources. These are amounts advanced to other funds with deficit balances in a prior fiscal year that will be repaid to the general fund in the subsequent year.

3. Expenditure and Other Financing Use Assumptions

The fiscal year 2000 through 2004 anticipated expenditures and other financing uses are based on the following:

Personal Services

The cost of personal services, which includes salaries and wages for certified and classified staff, supplemental contracts, substitutes, board members, overtime, and student workers costs, are based on 26 pays for each fiscal year of the forecast period and the terms of the existing ratified union contracts as amended. Current staff positions, including those expected to be filled, are expected to remain constant for the forecast period. Each fiscal year's forecasted expenditures for personal services allow for step increases, educational moves and increases allowed under current and future negotiated union contracts.

Employees' Retirement/Insurance Benefits

The most significant benefits provided for the East Liverpool City School District employees include retirement, health care, medicare, and workers' compensation coverage. For the forecast period, fringe benefits average 32.4 percent of the cost of salaries and wages.

Retirement costs assume the current contribution rate of 14 percent for all programs. Payments are made based upon estimated salary and wage costs. Adjustments resulting from over/under estimates are prorated over the next fiscal year. Retirement costs are expected to grow in relation to the growth in salaries and wages.

Health care costs are based on the coverage terms of the existing health insurance contracts and the same number of employees participating in the program. Medicare benefits are based upon actual results of fiscal year 1999 and anticipated payroll costs for new staff over the forecast period. Workers' compensation costs are based on the District's current rate and the anticipated salaries over the forecast period. The School District believes that all scheduled payments will be made in the current fiscal year.

Each fiscal year's overall forecasted expenditures for retirement/insurance benefits allow for annual increases of approximately four percent.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

Purchased Services

Purchased service expenditures include professional services, property services, utilities, tuition and transportation costs. The School District is anticipating a \$20,000 increase in purchased services for fiscal year 2000 due primarily to increased costs for legal and consulting fees. Fiscal years 2001 through 2004 will see relatively consistent expenditures increasing approximately two and one-half percent annually due to anticipated inflationary increases.

Supplies and Materials

Expenditures for supplies and materials include general and office supplies, teaching aids, dispensary supplies, software materials, textbooks, and supplemental textbooks. Fiscal year 2000 forecasted expenditures are anticipated to increase \$24,000 for supplies and materials attributed to increased textbook and library book expenditures. Fiscal years 2001 through 2004 reflect an annual inflationary increase of approximately two and one-half percent.

Capital Outlay

Capital outlay expenditures include buildings and improvements, equipment purchases and upkeep, and school bus acquisitions. Capital outlay expenditures are forecasted for fiscal year 2000 in the amount of \$132,000. The majority of the planned expenditures are for bus purchases, roof repairs, computer technology equipment, and various replacement equipment items.

An annual increase of approximately 2.2 percent is anticipated for the forecast years 2001 through 2004 due to expected inflationary increases.

Debt Service

The following principal and interest payments will be made during the forecast period for energy conservation notes, a driver's education loan, and a Honeywell H.B. 264 note.

	Energy Conservation Notes	Driver's Education Loan	Honeywell H.B. 264 Note	Total Principal	Interest
FY 2000	\$135,000	\$3,000	\$71,000	\$209,000	\$74,000
FY 2001	135,000	0	75,000	210,000	58,000
FY 2002	135,000	0	79,000	214,000	44,000
FY 2003	135,000	0	82,000	217,000	30,000
FY 2004	0	0	87,000	87,000	18,000

**EAST LIVERPOOL CITY SCHOOL DISTRICT
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SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

The funds necessary for payment of principal and interest are provided by property taxes and State foundation revenues.

Other Objects

This account includes dues, fees, liability insurance, county board deductions, and award costs. The annual amount forecasted is \$359,000 which is expected to remain constant during the five-year period.

Other Financing Uses

This category includes transfers out of \$111,000 and advances out of \$86,000 with a forecasted total of \$197,000 for fiscal year 2000. Transfers and advances are made to funds with projected deficit fund balances.

For fiscal years 2001 through 2004, total other financing uses are forecasted at \$211,000 annually with transfers out expected to be \$111,000 and advances out expected to be \$100,000.

4. Encumbrances

Encumbrances for the fiscal year ended June 30, 1999 were \$414,000 and are forecasted to be \$421,000 at June 30, 2000.

Encumbrances are expected to decrease to \$300,000 in fiscal year 2001 and then remain constant through fiscal year 2004.

5. Reservation of Fund Balance

Textbooks and Instructional Materials

The School District carried over \$43,000 from fiscal year 1999 in the textbook subsidy fund.

The required three percent contribution for fiscal year 2000 for the textbooks and instructional materials set aside amounted to \$353,000. This amount is partially offset by qualifying purchases of textbooks, instructional materials, instructional supplies, instructional software, and instructional equipment of \$365,000, leaving a reserve balance requirement at June 30, 2000 of \$31,000.

During the forecast years of 2001 through 2004, the District anticipates qualifying expenditures to be slightly less than the set aside requirements with carryover balances of \$55,000, \$71,000, \$83,000 and \$90,000, respectively.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

Capital Improvements

The required three percent contribution for fiscal year 2000 for the capital improvements and maintenance set aside amounted to \$353,000. This amount was offset by Permanent Improvement Levy Fund receipts qualifying under Ohio Revised Code Section 5705.21, and by qualifying expenditures for general maintenance, equipment, bus and building repairs, leaving no reserve balance requirement for the current fiscal year.

The School District has a 3.7 mill capital improvement levy that is expiring in November, 2002. The District intends to make every effort to renew this levy.

During the forecast years of 2001 through 2004, the District anticipates qualifying expenditures equal to the set aside requirement; therefore, no balance is projected for a reserve in any of the forecast years.

Budget Reserve

The School District received a refund from the Bureau of Workers' Compensation in fiscal year 1998. This refund was required under Section 39 of House Bill 770 to be part of the five percent set aside reserve balance; therefore, the refund of \$183,000 received from the Bureau of Workers' Compensation has been reserved for budget stabilization.

A contribution for budget stabilization is generally required if the base for the prior year grew by at least three percent. Since the School District is currently in a state of fiscal watch, this set aside was not required in fiscal year 1999 or 2000.

East Liverpool City District did make a contribution of \$106,000 to the existing budget reserve in fiscal year 1999 since the District had funds available. For fiscal years 2001 through 2004, revenues are not expected to increase by three percent; therefore, a set aside is not required. The balance during the forecast period is expected to remain constant at \$289,000.

DPIA

The School District is anticipated to have a balance of \$109,000 at the close of fiscal year 2000. During fiscal years 2001 through 2003, DPIA revenues, including carryover, are expected to be greater than DPIA expenditures, leaving balances of \$76,000, \$43,000 and \$10,000, respectively.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

Bus Purchases

The School District has a carryover balance remaining for bus purchases at the end of fiscal year 1999 of \$151,000 and received \$67,000 in bus purchase allowance during fiscal year 2000. The School will spend \$184,000 for bus purchases during fiscal year 2000, leaving a balance of \$34,000.

During fiscal years 2001 through 2003, bus purchase revenues, including carryover, are expected to be greater than bus purchase expenditures, leaving balances of \$25,000, \$16,000 and \$6,000, respectively.

6. Levies

The District placed an emergency 7.1 mill levy on the March 2000 ballot. This levy will replace the 9.0 emergency levy that will expire. If passed, it will generate approximately \$1,058,000 annually in property tax revenues and \$156,000 in property tax allocation revenues effective January, 2001.

7. Pending Litigation

There are currently no outstanding issues that would be deemed or interpreted as legally threatening at the time of this forecast.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting which is the same as that used to prepare the historical budgetary statements for the years ended June 30, 1997, 1998, and 1999. Under this system, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting and to make appropriations for budgetary funds. The appropriations are made by the Board of Education to their classification of accounts and are restricted for such purpose until expended or amended by the Board.

B. Investments

Investment procedures are restricted by the provisions of the Ohio Revised Code. The School District pools cash from all funds for investment purposes. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

C. Fund Accounting

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Project Funds

To account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Funds

To account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest. According to governmental accounting principles, the Debt Service Fund accounts for the payment of debt for governmental funds only. Under Ohio law, the debt service fund may be used to account for the payment of debt for both governmental and proprietary funds.

Proprietary Funds

Enterprise Funds

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

Internal Service Funds

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds

To account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) Expendable Trust Funds, (b) Non-expendable Trust Funds, (c) Pension Funds, and (d) Agency Funds.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Budgetary Process

Budget

A budget of estimated cash receipts and disbursements is submitted to the Columbiana County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources

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

Appropriations

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

Encumbrances

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

E. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these fixed assets as the purpose of the financial statements for the general governmental services is to report the expenditure of resources, not costs.