



**Auditor of State
Betty Montgomery**

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2004**

Local Government Services Section

East Liverpool City School District
Columbiana County

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**Auditor of State
Betty Montgomery**

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the East Liverpool City School District, Columbiana County, Ohio, and issued a report dated October 31, 2003. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2004 of \$2,606,000.

The School District is currently defending two law suits. Should the cases be resolved prior to June 30, 2004, the deficit could increase by approximately \$112,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2005 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2004 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2004.

BETTY MONTGOMERY
Auditor of State

Peter R. Sorem
Chief of Local Government Services

December 18, 2003

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**Auditor of State
Betty Montgomery**

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the East Liverpool City School District for the fiscal year ending June 30, 2004. The East Liverpool City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of East Liverpool City School District for the fiscal years ended June 30, 2001, 2002 and 2003 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

Betty Montgomery

Betty Montgomery
Auditor of State

October 31, 2003

EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 THROUGH 2003 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2004 FORECASTED
GENERAL FUND

	Fiscal Year 2001 Actual	Fiscal Year 2002 Actual	Fiscal Year 2003 Actual	Fiscal Year 2004 Forecasted
Revenues				
General Property Tax (Real Estate)	\$3,374,000	\$3,333,000	\$3,381,000	\$3,395,000
Tangible Personal Property Tax	808,000	726,000	655,000	654,000
Unrestricted Grants-in-Aid	13,596,000	14,024,000	14,251,000	16,334,000
Restricted Grants-in-Aid	1,092,000	1,704,000	2,230,000	1,254,000
Property Tax Allocation	475,000	501,000	515,000	516,000
All Other Revenues	1,474,000	618,000	314,000	1,101,000
<i>Total Revenues</i>	<u>20,819,000</u>	<u>20,906,000</u>	<u>21,346,000</u>	<u>23,254,000</u>
Other Financing Sources				
Advances In	49,000	37,000	183,000	0
Operating Transfers In	186,000	42,000	0	0
<i>Total Other Financing Sources</i>	<u>235,000</u>	<u>79,000</u>	<u>183,000</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>21,054,000</u>	<u>20,985,000</u>	<u>21,529,000</u>	<u>23,254,000</u>
Expenditures				
Personal Services	13,113,000	13,719,000	14,453,000	14,977,000
Employees' Retirement/Insurance Benefits	4,848,000	5,126,000	5,523,000	6,029,000
Purchased Services	1,297,000	1,306,000	1,472,000	2,912,000
Supplies and Materials	642,000	885,000	616,000	750,000
Capital Outlay	264,000	254,000	47,000	130,000
Debt Service:				
Principal - Loan	75,000	78,000	82,000	87,000
Interest	30,000	26,000	22,000	18,000
Other Objects	303,000	275,000	378,000	414,000
<i>Total Expenditures</i>	<u>20,572,000</u>	<u>21,669,000</u>	<u>22,593,000</u>	<u>25,317,000</u>
Other Financing Uses				
Operating Transfers Out	516,000	277,000	0	0
Advances Out	87,000	189,000	0	140,000
<i>Total Other Financing Uses</i>	<u>603,000</u>	<u>466,000</u>	<u>0</u>	<u>140,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>21,175,000</u>	<u>22,135,000</u>	<u>22,593,000</u>	<u>25,457,000</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(121,000)	(1,150,000)	(1,064,000)	(2,203,000)
Cash Balance (Deficit) July 1	<u>2,319,000</u>	<u>2,198,000</u>	<u>1,048,000</u>	<u>(16,000)</u>
Cash Balance (Deficit) June 30	<u>2,198,000</u>	<u>1,048,000</u>	<u>(16,000)</u>	<u>(2,219,000)</u>
Less: Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	570,000	132,000	270,000	324,000
Reservations of Fund Balance for:				
Budget Reserve	373,000	257,000	20,000	0
Textbooks	124,000	31,000	182,000	0
Bus Purchase	116,000	64,000	121,000	63,000
DPIA	56,000	311,000	14,000	0
Parity Aid	0	127,000	94,000	0
Total Encumbrances and Reservations of Fund Balance	<u>1,239,000</u>	<u>922,000</u>	<u>701,000</u>	<u>387,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$959,000</u>	<u>\$126,000</u>	<u>(\$717,000)</u>	<u>(\$2,606,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies
See accountants report

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Note 1 – The School District

The East Liverpool City School District (School District) is located in Columbiana County and encompasses all of the City of East Liverpool, all of Liverpool Township and a portion of Saint Clair Township. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates five instructional buildings, one administrative building and one bus garage. The School District is staffed by 156 non-certified, 268 certificated personnel and 26 administrative positions to provide services to approximately 3,200 students and other community members.

On September 29, 2003, the School District was declared to be in a state of “Fiscal Watch” by the Auditor of State under Section 3316.03 (A)(3), Revised Code. Within sixty days of the Auditor’s declaration of a fiscal watch, the board of education of the School District has to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the School District’s current operating deficit and avoid future deficits. Once the plan has been approved, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the East Liverpool City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of October 31, 2003, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the disadvantaged pupil impact aid (DPIA) and textbook subsidy funds are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

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

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

B. - Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

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

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

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

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

Note 5 - General Operating Assumptions

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

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

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

The forecast excludes the receipt of any advances against fiscal year 2005 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to request and/or appropriate any such advances for fiscal year 2004.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

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

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$4.20
Continuing Operating	1976	n/a	16.40
Continuing Operating	1996	n/a	7.00
Emergency	2000	2005	6.70
Total Tax Rate			<u>\$34.30</u>

The School District also has levies for bonded debt, permanent improvement and school facilities maintenance totaling \$5.70 per \$1,000 of assessed valuation. The School District's total rate is 40.00 mills.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property taxes as in the year in which the levy was approved. Increases to voted levy revenues are restricted to assessments for new construction. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. The effective residential and agricultural rate is \$26.71 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$30.60 per \$1,000 of assessed valuation for calendar year 2003.

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Columbiana County Auditor. The County had a revaluation during 2002. Based upon this information, the School District anticipates an increase of \$14,000 from the prior fiscal year.

Tangible Personal Property Tax - Tangible personal property tax is applied to property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues are based upon information provided by the Columbiana County Auditor. Based upon these estimates, the School District anticipates a decrease of \$1,000 from the previous fiscal year.

B. - Unrestricted Grants-in-Aid

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

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The per pupil foundation level was set at \$4,294 for fiscal 2001, \$4,490 for 2002 and \$4,949 for 2003. In 2003, the per pupil foundation level was changed by the legislature for fiscal year 2004 to \$5,058.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

The anticipated unrestricted grants-in-aid for fiscal year 2004 is based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the October school foundation statement are as follows:

	Fiscal Year 2003	Fiscal Year 2004	Variance
Formula Aid	\$12,038,000	\$11,950,000	(\$88,000)
Categorical Funding	1,676,000	1,723,000	47,000
Equity Aid	510,000	367,000	(143,000)
Transportation	589,000	600,000	11,000
Excess Cost	117,000	88,000	(29,000)
Parity Aid	0	1,510,000	1,510,000
Open Enrollment Received	571,000	0	(571,000)
Open Enrollment Payments	(1,264,000)	0	1,264,000
Foundation Adjustments	(15,000)	(10,000)	5,000
Utility Deregulation	29,000	106,000	77,000
Totals	<u>\$14,251,000</u>	<u>\$16,334,000</u>	<u>\$2,083,000</u>

Formula aid decreased due to a decline in ADM of 52 and an increase in assessed values and was offset by an increase in the per pupil foundation amount. In addition, a portion of equity aid is being phased out each year through fiscal year 2005. Parity aid, which increased \$530,000 from the prior year, was restricted in fiscal year 2003 and was recorded as part of restricted grants-in-aid. Beginning in 2004, open enrollment revenue is reflected as other miscellaneous revenue, and open enrollment payments are reflected as purchased service expenditures.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August. For fiscal year 2004, the School District anticipates \$106,000 in public utility reimbursements which is included in unrestricted grants-in-aid, based on information provided by the Ohio Department of Taxation.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid during the forecast period consist of an anticipated bus purchase allowance of \$61,000 and a DPIA subsidy of \$1,193,000 compared to \$57,000 and \$1,193,000 for 2002. In fiscal year 2003, parity aid was recorded as a restricted State revenue in the amount of \$980,000.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Property tax allocation revenue, based on information provided by the Columbiana County Auditor, is anticipated to be \$516,000, an increase of \$1,000 over fiscal year 2003.

E. - All Other Revenues

All other revenues include tuition, open enrollment, Midland tuition, transportation, interest on investments, drivers' education fees, rent, other receipts, and the refund of prior year expenditures.

The School District receives tuition for students from Midland, Pennsylvania who attend the East Liverpool City School District, as well as from open enrollment. In prior years, the School District recorded open enrollment revenue on its books net of open enrollment expenditures. For fiscal year 2004, the School District is recording the open enrollment revenue at gross instead of net.

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

In fiscal year 2003, the School District received a refund of prior year expenditures which was a workers' compensation rebate. The School District will not receive a rebate in the current fiscal year.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase (Decrease)
Tuition	\$11,000	\$1,000	(\$10,000)
Open Enrollment Tuition	0	582,000	582,000
Midland Tuition	218,000	495,000	277,000
Transportation	3,000	3,000	0
Interest on Investments	35,000	6,000	(29,000)
Drivers Education Fees	14,000	10,000	(4,000)
Rentals	1,000	1,000	0
Other Revenue	5,000	3,000	(2,000)
Refund of Prior Year Expenditures	27,000	0	(27,000)
Totals	\$314,000	\$1,101,000	\$787,000

F. - Other Financing Sources

No Advances In or Transfers In are forecast for fiscal year 2004.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay, retirement incentive bonus, insurance opt out, and all other bonuses. All employees receive their compensation on a bi-weekly basis.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period September 1, 2001 to August 31, 2004, and allows for a four percent increase in the base salary as well as step increases from four to six percent in each year of the contract.

The contract for classified staff covered the period September 1, 2002 to August 31, 2003. The forecast includes only step increases for classified staff based on the salary schedule of the contract. The classified employees are still working under the contract that expired on August 31, 2003. The School District is currently in negotiations. Management has made no offer in terms of base or step increases nor have the classified employees made a demand for base and step increases. The amount of increase, if any, that may come about from the negotiation process is unknown. Should the School District agree to an increase, each one percent increase would increase classified salaries approximately \$22,000 and increase the deficit by the same amount. Administrative salaries are set by the Board of Education.

The increase in certified salaries is offset by the retirement of nine certified employees of which three were replaced at a lower salary. The School District is not replacing the remaining six employees. Two classified employees retired and the School District has replaced them.

Supplemental contracts are expected to decrease during the forecast period due to less positions being filled during fiscal year 2004.

The School District offers severance pay upon retirement to its certified and classified employees with at least five years of service in the School District. Payments for certified and classified employees are one-third of the first ninety days of accumulated sick leave plus ten percent of all days beyond the first ninety. Payment is based on the daily rate of pay at retirement. Severance costs are anticipated to increase due to the retirement of eleven staff members during the forecast period compared with the retirement of nine staff members during fiscal year 2003.

The School District offers a retirement incentive bonus of \$10,000 to certified employees with twenty or more years of service. The payment is made in two equal payments in June of consecutive years after retirement.

The School District offers an incentive for those employees not taking health care, a professional growth bonus, and an attendance bonus for its employees. These bonuses are anticipated to increase due to more employees taking advantage of these benefits during fiscal year 2004.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Presented below is a comparison of salaries and wages for fiscal year 2003 and the forecast period.

	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase (Decrease)
Certified Salaries	\$11,224,000	\$11,702,000	\$478,000
Classified Salaries	2,182,000	2,195,000	13,000
Substitute Salaries	413,000	416,000	3,000
Supplemental Contracts	306,000	263,000	(43,000)
Severance Pay	47,000	97,000	50,000
Retirement Incentive Bonus	75,000	80,000	5,000
Insurance Opt Out and Bonuses	197,000	216,000	19,000
Other Salaries and Wages	9,000	8,000	(1,000)
Totals	<u>\$14,453,000</u>	<u>\$14,977,000</u>	<u>\$524,000</u>

B. - Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of fourteen percent of salaries for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over estimates are prorated over the next calendar year. The School District pays the employees' retirement contributions for its superintendent and treasurer and one percent of the employees' retirement contributions for all other administrators.

Health care costs are based on rates set by Medical Mutual of Ohio. All funds are charged for the number of employees participating in the program and the type of coverage (single or family) provided to each employee. The health care program includes medical, prescription drug, dental care, and vision. Health care premiums are fixed for a twelve month period from October to September. Premiums increased by 9.9 percent in October of 2003.

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

Workers' compensation is forecast to increase. The increase is due to rebates offered in prior fiscal years that are not anticipated for fiscal year 2004.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Presented below is a comparison of fiscal year 2003 and the forecast period:

	Fiscal Year 2003	Fiscal Year 2004	Increase (Decrease)
Employer's Retirement	\$2,069,000	\$2,151,000	\$82,000
Health Care/Life Insurance	3,213,000	3,553,000	340,000
Workers' Compensation	53,000	164,000	111,000
Medicare	113,000	111,000	(2,000)
Unemployment	18,000	8,000	(10,000)
Tuition Reimbursement	57,000	42,000	(15,000)
Totals	\$5,523,000	\$6,029,000	\$506,000

C. - Purchased Services

Purchased service expenditures forecasted in the amount of \$2,912,000 are comprised of the following:

	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase (Decrease)
Professional and Technical Services	\$329,000	\$349,000	\$20,000
Property Services	391,000	408,000	17,000
Travel and Meeting Expenses	33,000	35,000	2,000
Communication Costs	66,000	80,000	14,000
Utility Services	481,000	496,000	15,000
Tuition Payments/Open Enrollment	168,000	1,535,000	1,367,000
Pupil Transportation	4,000	9,000	5,000
Totals	\$1,472,000	\$2,912,000	\$1,440,000

The School District is anticipating a \$1,440,000 increase in purchased services for fiscal year 2004. This increase is due to a new vocational program sponsored by the School District in which seventeen students will attend a beauty academy. Communication costs will increase to cover the cost of new fiber optic lines, high speed internet services, and an increase from the School District's computer services provider. The tuition payments are increasing due to the School District recording as expenditures open enrollment payments withheld from its foundation settlement rather than being posted net against unrestricted grants-in-aid as had been the practice in prior years.

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$381,000	\$348,000	(\$33,000)
Operations, Maintenance and Repair	59,000	78,000	19,000
Textbooks	176,000	324,000	148,000
Totals	\$616,000	\$750,000	\$134,000

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

The School District is forecasting a \$134,000 increase in materials and supplies for the forecast period. Operations, maintenance and repair will increase to accommodate the cost of converting two old rooms into preschool/headstart classrooms. The increase in textbooks is due to the School District's need to replace math and science textbooks in the elementary and middle schools that are between ten to twenty years old.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for general governmental services is recorded as capital outlay expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$130,000. This is an increase of \$83,000 from 2003 primarily due to the purchase of two new school buses. The School District has a permanent improvement levy that will generate approximately \$114,000 in fiscal year 2004. The School District uses this fund to make additional capital expenditures.

F. - Debt Service

General fund supported debt consists of an energy conservation loan in the amount of \$822,000 that will mature on September 27, 2007. Principal and interest expenditures for fiscal year 2004 are anticipated to be \$105,000.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance, and awards. Other object expenditures are forecasted in the amount of \$414,000. The \$36,000 increase from fiscal year 2003 is mainly due to legal fees for contract negotiations with classified employees and a four percent increase in liability insurance.

H. - Operating Transfers and Advances Out

No transfers out are anticipated during fiscal year 2004. The School District is forecasting advances out in fiscal year 2004 in the amount of \$140,000 to the food service, the athletics and the vocational education Carl Perkins Grant funds. These advances are expected to be repaid during fiscal year 2005.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects as of June 30, 2003, were \$270,000 and are forecasted at \$324,000 as of June 30, 2004.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Note 9 - Reservations of Fund Balance

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

At year end, any balances for Disadvantaged Pupil Impact Aid and bus purchases from the previous year plus any receipts from the current year that have not been spent must be carried forward to be used for appropriate purposes in future years.

A. - Textbooks and Instructional Materials Set-Aside

The set aside requirement for fiscal year 2004 is \$456,000. There was a carryover of \$182,000 from fiscal year 2003. The School District is expecting to have \$639,000 in instructional supplies and textbooks during the current fiscal year leaving no reserve balance.

B. - Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2004 is \$456,000. The School District anticipates \$456,000 in offsets. Therefore, no reserve is included.

C. - Bus Purchases

At June 30, 2003, the School District had \$121,000 in unspent bus monies. The School District anticipates receiving \$61,000 in a bus purchase allowances during fiscal year 2004. The School District will spend \$119,000 on the purchase of a two new buses during the current fiscal year leaving a reserve balance of \$63,000.

D. - Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2003, the School District had \$14,000 in unspent DPIA monies. The School District anticipates receiving \$1,193,000 in restricted DPIA monies during fiscal year 2004. The School District anticipates spending \$1,207,000 in DPIA expenditures during the current fiscal year. Therefore, there is no reserve included for DPIA.

E. - Parity Aid

Parity aid in fiscal year 2003 was restricted to school districts declared to be in a state of academic emergency, academic watch, or in need of continuous improvement under Section 3302.03 of the Revised Code. Beginning in 2004, the use of parity aid money is no longer restricted to particular types of expenditures. Therefore, no reserve is included for parity aid.

East Liverpool City School District
Columbiana County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Note 10 - Levies

The School District renewed the emergency levy on March 7, 2000 for a term of five years. The amount of the levy was \$1,058,000 and is due to expire in 2004. The School District also passed a five-year permanent improvement levy in November, 1997 which will expire in 2004. There currently are no plans at this time to replace or renew these levies. In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
November 1994	Emergency	\$1,058,000	5 Years	Passed
November 1995	Emergency	N/A	5 Years	Failed
August 1996	Continuing	7.00 mills	Continuing	Failed
November 1996	Continuing	7.00 mills	Continuing	Passed
November 1997	Permanent Improvement	2.00 mills	5 Years	Passed
May 1999	Bond Issue	2.98 mills	23 Years	Failed
November 1999	Income Tax Issue	0.75 mills	Continuing	Failed
March 2000	Renewal - Emergency	\$1,058,000	5 Years	Passed
May 2002	Bond Issue	3.20 mills	26 Years	Passed
May 2002	Bond Issue	0.50 mills	26 Years	Failed

Note 11 - Pending Litigation

Currently the School District has two cases pending against it by the prior superintendent and a board member. Management estimates that the settlement, if any, will be approximately \$112,000. The School District is contesting the amounts and does not anticipate settlement during fiscal year 2004. This amount is not included in the forecast or the anticipated deficit.

Note 12 - 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 on its future State funding and on its financial operations.



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EAST LIVERPOOL CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2003**