STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Groveport Madison Local School District
Franklin County

Termination of Fiscal Watch

Local Government Services Division

Groveport Madison Local School District

Termination of Fiscal Watch

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Termination of Fiscal Watch

Pursuant to a request to the Auditor of State by the Groveport Madison Local School District Board of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that the Groveport Madison Local School District has met the conditions set forth in the Ohio Department of Education's "Guidelines for Release from Fiscal Watch." The Groveport Madison Local School District's status of Fiscal Watch is hereby terminated as of March 16, 2001.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to June Gibbs, President of the Board of Education of the Groveport Madison Local School District; Charles Barr, Superintendent of the Groveport Madison Local School District; Michele Smith, Treasurer of the Groveport Madison Local School District; Bob Taft, Governor of State of Ohio: Thomas W. Johnson, Director of Budget and Management; and, Dr. Susan Tave Zelman, State Superintendent of Public Instruction.

JIM PETRO
Auditor of State

March 16, 2001

Declaration of Fiscal Watch

The Auditor of State, in accordance with Section 3316.03 of the Ohio Revised Code is required to declare a school district to be in a state of fiscal watch if it is determined that the school district has met all of the conditions described in Section 3316.03(A) of the Ohio Revised Code. These conditions are as follows:

1. An operating deficit has been certified by the Auditor of State that exceeds eight percent of the school district's general fund revenue for the preceding fiscal year;

2. 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; and

3. 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 Auditor of State performed an analysis of the Groveport Madison Local School District (the School District), dated February 7, 1997, to determine whether the School District met the conditions for fiscal watch and certified an operating deficit for the general fund in the amount of $5,474,000. This deficit exceeded eight percent of the general fund revenues for the prior fiscal year and the unencumbered cash balance of $128,000 for the preceding fiscal year was less than eight percent of the preceding fiscal year expenditures. Additionally, the School District had not passed a levy as of February 7, 1997, that would eliminate the first two conditions. As a result of the analysis, the Auditor of State declared the Groveport Madison Local School District to be in fiscal watch on February 12, 1997.

Guidelines for Removal from Fiscal Watch

The procedures for removing a school district from fiscal watch are set forth in "Guidelines for Release from Fiscal Watch," developed by the Ohio Department of Education. These guidelines permit a school 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 school districts seeking release from fiscal watch are as follows:

1. The school district must request release from fiscal watch by submitting a letter and board resolution requesting release to the Auditor of State and the State Superintendent of Public Instruction.

2. The school district must prepare a financial forecast which demonstrates the elimination of the fiscal watch condition and the Auditor of State will conduct an examination of the financial forecast to insure that the school district no longer meets the criteria for fiscal watch. The Department of Education will conduct a separate financial analysis and an in-depth review of the current financial plan to insure that the district will avoid future fiscal watch criteria.

3. In concurring on the release, the Auditor of State and State Superintendent of Public Instruction will have satisfied themselves of the following:

   a. Policies for sound accounting, purchasing and reporting are adopted and are in the process of being implemented (a review of the most recent audit of the school district's GAAP financial statements must reflect an unqualified opinion and no material citations relating to accounting policies and procedures that could negatively impact the financial recovery or condition of the district);

   b. The district no longer meets the criteria for fiscal watch; and

   c. Objectives of the financial recovery plan are being met or are in the process of being met 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.

4. The Ohio Department of Education will provide a letter and documentation supporting their recommendation to the Auditor of State.

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 for Termination of Fiscal Watch

The Groveport Madison Local School District Board of Education passed a resolution dated June26, 2000, requesting termination from fiscal watch. This resolution, along with initial correspondence from the Ohio Department of Education, was forwarded to our office on September 5, 2000.

The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2001 through 2005, to determine whether the fiscal watch condition has been eliminated. The financial forecast and our report thereon is included in Appendix A of this report. The financial forecast includes a positive unencumbered and unreserved general fund balance for each year of the forecast; therefore, no further analysis was performed as it related to fiscal watch criteria.

As part of the analysis for termination of Fiscal Watch, we reviewed the School District's most recent audit report and the related compliance and management letters. The School District received an unqualified opinion on its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2000. The related compliance and management letters disclosed the following:

Analysis for Termination of Fiscal Watch

1. The “Report on Compliance and Internal Control Required by Governmental Auditing Standards” disclosed no instances of noncompliance that are required to be reported under Governmental Auditing Standards. However, a reportable condition relating to fixed assets was disclosed. This condition was not considered a material internal control weakness over financial reporting.

2. The “Report on Compliance with Requirement Applicable to Each Major Federal Program, Internal Control over Compliance in Accordance with OMB Circular A-133" disclosed no material noncompliance issues.

3. The Management Letter contained recommendations for the establishment of an audit committee, board review of investments made by the Treasurer, restriction of computer access to the student application, adoption of a policy to cover the termination of network and system users, and the inclusion of additional tasks in the computer disaster recovery plan.

The criteria for fiscal watch includes an operating deficit in the general fund that exceeds eight percent of the general fund revenue for the preceding fiscal year. The School District does not have a deficit in the general fund as of June 30, 2000, nor is a deficit forecasted for the next five years.

We reviewed the School District’s Financial Recovery Plan, dated May 9, 1997, and the amendment approved by the Department of Education on February 15, 2000. We also read the Ohio Department of Education’s analysis and review of the School District’s Financial Recovery Plan.

The primary strategy of the plan was to increase operating revenue, decrease operating expenditures, or a combination of the two. Actions taken to achieve these strategies included the following:

1. The passage of a new 9.5 mill emergency operating levy in May 1997. The new levy generates approximately $4,500,000, annually;

2. Reductions and realignment of support and administrative staff and the elimination of teaching positions; and,

3. The elimination of certain programs and extracurricular activities.

On February 15, 2000, the Ohio Department of Education approved amendments to the Financial Recovery Plan that included salary increases through fiscal year 2002 for certified staff and fiscal year 2003 for classified staff, the addition of seven new teachers, the addition of a summer program, and the reinstatement of certain supplemental contracts.

Conclusion

Based on our analysis, the Auditor of State has determined the following:

1. The School District has prepared a financial forecast which demonstrates the elimination of the fiscal watch condition and, based on the examination of the financial forecast, the School District no longer meets the criteria for fiscal watch;

2. The School District has received an unqualified opinion of its financial statements prepared in accordance with generally accepted accounting principles;

3. No material citations relating to accounting policies and procedures exist that could have a negative impact on the financial recovery or condition of the School District;

4. No matters have come to our attention that would indicate the School District is not in compliance with the Financial Recovery Plan; and,

5. The Ohio Department of Education has provided a letter and documentation supporting their recommendation for termination of fiscal watch to the Auditor of State.

It is understood that this report's determination is for the use of the District's Board of Education, the Superintendent of the Groveport Madison Local School District, the Director of Budget and Management, the Mayor of the Village of Groveport, 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.

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 identified 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.

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APPENDIX A

Groveport Madison Local School District
Franklin County

Financial Forecast
For the Fiscal Years Ending
June 30, 2001 Through June 30, 2005

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Groveport Madison Local School District
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We have examined the accompanying forecasted schedule of revenues, expenditures, and changes in fund balance of the general fund of the Groveport Madison Local School District for the fiscal years ending June 30, 2001 through 2005. Our examination was made in accordance with 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 the Board and the preparation and presentation of the forecast.

This forecast was prepared to demonstrate that the School District has eliminated the fiscal watch conditions identified in Section 3316.03(A) of the Ohio Revised Code, and that it will remain out of fiscal watch for the next five years, and should not be used for any other purpose.

In our opinion, the forecasted schedule referred to above is presented in conformity with the 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 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 its date.

The financial statements for the fiscal years ended June 30, 1998, 1999, and 2000 were audited by the Auditor of State's Office and we expressed an unqualified opinion on those financial statements in reports dated December 22, 1998, December 10, 1999, and November 27, 2000, respectively. We have not performed any auditing procedures since.

JIM PETRO
Auditor of State

March 16, 2001

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 1998, 1999 and 2000 Actual;
Fiscal Years Ending June 30, 2001 Through 2005 Forecasted
General Fund

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual
Revenues			
General Property Tax	$13,949,000	$16,670,000	$17,215,000
Tangible Personal Property Tax	3,647,000	4,459,000	3,643,000
Unrestricted Grants-in-Aid	12,806,000	13,835,000	14,778,000
Restricted Grants-in-Aid	129,000	140,000	144,000
Property Tax Allocation	1,756,000	2,030,000	2,089,000
All Other Revenues	472,000	867,000	902,000
Total Revenues	32,759,000	38,001,000	38,771,000
Other Financing Sources			
Proceeds from Sale of Notes	4,508,000	0	4,508,000
Advances-In	331,000	460,000	8,000
All Other Financing Sources	21,000	4,000	22,000
Total Other Financing Sources	4,860,000	464,000	4,538,000
Total Revenues and Other Financing Sources	37,619,000	38,465,000	43,309,000
Expenditures			
Personal Services	19,553,000	19,712,000	20,802,000
Employees' Retirement/Insurance Benefits	5,228,000	5,320,000	5,288,000
Purchased Services	4,780,000	4,902,000	5,828,000
Supplies and Materials	325,000	523,000	569,000
Capital Outlay	138,000	318,000	546,000
Debt Service:			
Principal-Notes	465,000	1,508,000	1,500,000
Principal-State Operating Loans	2,473,000	2,260,000	285,000
Principal-HB 264 Loans	220,000	235,000	250,000
Principal-Other	1,590,000	100,000	0
Interest and Fiscal Charges	540,000	433,000	228,000
Other Objects	1,129,000	1,536,000	1,354,000
Total Expenditures	36,441,000	36,847,000	36,650,000
Other Financing Uses			
Operating Transfers-Out	0	388,000	171,000
Advances-Out	472,000	8,000	59,000
All Other Financing Uses	4,000	0	0
Total Other Financing Uses	476,000	396,000	230,000
Total Expenditures and Other Financing Uses	$36,917,000	$37,243,000	$36,880,000

Fiscal Year 2001 Forecasted	Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted
$18,107,000	$18,482,000	$19,406,000	$17,782,000	$17,040,000
4,117,000	3,983,000	4,099,000	3,965,000	3,823,000
15,890,000	17,001,000	18,192,000	19,465,000	20,828,000
160,000	172,000	184,000	197,000	210,000
2,030,000	2,115,000	2,177,000	2,106,000	2,030,000
1,312,000	1,312,000	825,000	825,000	825,000
41,616,000	43,065,000	44,883,000	44,340,000	44,756,000
0	0	0	0	0
69,000	50,000	55,000	60,000	67,000
15,000	15,000	15,000	15,000	15,000
84,000	65,000	70,000	75,000	82,000
41,700,000	43,130,000	44,953,000	44,415,000	44,838,000
22,352,000	23,314,000	24,345,000	25,444,000	26,618,000
6,308,000	7,007,000	7,593,000	8,245,000	8,969,000
6,689,000	7,451,000	8,304,000	9,268,000	10,339,000
1,346,000	1,445,000	1,561,000	1,697,000	1,857,000
697,000	725,000	754,000	784,000	815,000
1,500,000	1,508,000	1,500,000	1,500,000	0
301,000	318,000	336,000	0	0
265,000	285,000	300,000	115,000	0
0	0	0	0	0
370,000	251,000	140,000	41,000	0
1,385,000	1,523,000	1,676,000	1,843,000	2,028,000
41,213,000	43,827,000	46,509,000	48,937,000	50,626,000
200,000	220,000	242,000	266,000	293,000
50,000	55,000	60,000	67,000	73,000
22,000	24,000	27,000	29,000	32,000
272,000	299,000	329,000	362,000	398,000
$41,485,000	$44,126,000	$46,838,000	$49,299,000	$51,024,000

Continued

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 1998, 1999 and 2000 Actual;
Fiscal Years Ending June 30, 2001 Through 2005 Forecasted
General Fund
(Continued)

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	$702,000	$1,222,000	$6,429,000
Cash Fund Balance July 1	3,331,000	4,033,000	5,255,000
Cash Fund Balance June 30	4,033,000	5,255,000	11,684,000
Estimated Encumbrances June 30	425,000	1,044,000	1,434,000
Unencumbered Fund Balance June 30	3,608,000	4,211,000	10,250,000
Reservations of Fund Balance			
Textbooks and Instructional Materials	0	129,000	0
Capital Improvements	0	284,000	0
Budget Reserve	0	211,000	211,000
DPIA	39,000	94,000	0
Property Tax Advances	1,335,000	1,430,000	1,220,000
Bus Purchases	14,000	142,000	212,000
Subtotal	1,388,000	2,290,000	1,643,000
Fund Balance June 30 for Certification of Appropriations	2,220,000	1,921,000	8,607,000
Revenue from Renewal Levies			
Property Tax from Renewal Levy	0	0	0
Cumulative Balance of Renewal Levy	0	0	0
Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	2,220,000	1,921,000	8,607,000
Unreserved, unencumbered Fund Balance June 30	**$2,220,000**	**$1,921,000**	**$8,607,000**

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

Fiscal Year 2001 Forecasted	Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted
$215,000	($996,000)	($1,885,000)	($4,884,000)	($6,186,000)
11,684,000	11,899,000	10,903,000	9,018,000	4,134,000
11,899,000	10,903,000	9,018,000	4,134,000	(2,052,000)
1,534,000	1,595,000	1,659,000	1,726,000	1,795,000
10,365,000	9,308,000	7,359,000	2,408,000	(3,847,000)
0	0	0	0	0
0	0	0	0	0
892,000	0	0	0	0
0	0	0	0	0
1,220,000	1,281,000	1,345,000	1,412,000	1,483,000
0	0	0	0	0
2,112,000	1,281,000	1,345,000	1,412,000	1,483,000
8,253,000	8,027,000	6,014,000	996,000	(5,330,000)
0	0	0	2,254,000	4,508,000
0	0	0	2,254,000	6,762,000
8,253,000	8,027,000	6,014,000	3,250,000	1,432,000
$8,253,000	**$8,027,000**	**$6,014,000**	**$3,250,000**	**$1,432,000**

Note 1 - Nature and Limitations of the Forecast

The financial forecast presents, to the best of the Groveport Madison Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 21, 2001, 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.

This forecast was prepared to demonstrate that the School District has eliminated the fiscal watch conditions identified in Section 3316.03(A) of the Ohio Revised Code, and that it will remain out of fiscal watch for the next five years, and should not be used for any other purpose.

Note 2 - Nature of the Presentation

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

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA) and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1998, 1999, and 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Revenues and Other Sources			
General Fund as Previously Reported	$32,083,000	$33,841,000	$40,972,000
DPIA	103,000	87,000	73,000
Debt Service Activity Related to General Fund Supported Debt	5,433,000	4,537,000	2,264,000
Total Revenues and Other Sources per Forecast	$37,619,000	$38,465,000	$43,309,000
Expenditures and Other Uses			
General Fund as Previously Reported	31,269,000	32,669,000	34,461,000
DPIA	45,000	37,000	155,000
Textbooks			
Debt Service Activity Related to General Fund Supported Debt	5,603,000	4,537,000	2,264,000
Total Expenditures and Other Uses per Forecast	$36,917,000	$37,243,000	$36,880,000
Excess of Revenues and Other Sources Over Expenditures and Other Uses	702,000	1,222,000	6,429,000
Cash Fund Balance at Beginning of Fiscal Year	3,331,000	4,033,000	5,255,000
Cash Fund Balance at End of Fiscal Year	4,033,000	5,255,000	11,684,000
Encumbrances at Fiscal Year End	425,000	1,044,000	1,434,000
Unencumbered Fund Balance at Fiscal Year End	$3,608,000	$4,211,000	$10,250,000

Note 3 - 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 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 measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other 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 - 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 - The debt service fund is 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 that those financed by proprietary funds or trust 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.

Note 3 - Summary of Significant Accounting Policies (continued)

Internal Service Funds - Internal service funds 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 - 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) an expendable trust fund, (b) a non-expendable trust fund, 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 object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Franklin 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 4 - General Operating Assumptions

The Groveport Madison Local 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 has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of amounts levied against all real estate, public utility real and personal property and tangible personal property within the School District. The County Treasurer collects property taxes for all taxing districts in the county. The County Auditor periodically remits to the School District its portion of the taxes collected. Advances may be requested from the 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's fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes and exemptions from taxation on the first $10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

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

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

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (Mills)
Continuing Operating	1968	n/a	$5.50
Continuing Operating	1973	n/a	3.00
Continuing Operating	1973	n/a	2.60
Continuing Operating	1973	n/a	3.70
Continuing Operating	1973	n/a	1.50
Continuing Operating	1985	n/a	5.00
Continuing Operating	1988	n/a	8.85
Continuing Operating	1991	n/a	13.00
3 Year Emergency Operating	2000	2003	7.70
General Inside Millage	n/a	n/a	4.20
Total Tax Millage			$55.05

<u>General Property Tax (Real Estate)</u> - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The School District anticipates increases ranging from two percent to five percent in fiscal years 2001 through 2005. This is due the expected growth of the School District’s tax base, as well as the six year reappraisal. Fiscal years 2004 and 2005 were adjusted downward due to the expiration of the 7.70 mill emergency operating levy.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources (continued)

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from property used in business (except for public utilities). The School District anticipates an increase of $180,000 over the forecasted period. This is due primarily to the historical and expected growth of the School District's largest individual taxpayers. Fiscal years 2004 and 2005 were adjusted downward due to the expiration of the 7.70 mill emergency operating levy.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the Governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

B. - Unrestricted Grants-in-Aid

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

In 1998, State law set the base cost per pupil at $4,063 and reflecting an annual rate of inflation of two and eight-tenths percent, is $4,294 for fiscal year 2001, $4,414 for fiscal year 2002, $4,538 for fiscal year 2003, and $4,665 for fiscal year 2004.

The anticipated revenue for fiscal years 2001 through 2005 is based on current estimates provided by the Ohio Department of Education and historical trends. The increase is caused by not only the State mandated basic cost increase described above, but also annual increases in the School District's average daily membership and increases in the special education funding. Historically, the School District has experienced a seven percent increase per year.

C. - 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).

Property tax allocation revenue is based on a confirmation from the Franklin County Auditor. This also was adjusted downward in fiscal years 2004 and 2005 due to the expiration of the 7.70 mill emergency operating levy.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources (continued)

D. - All Other Revenues

All Other Revenues include the following:

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Interest	$1,000,000	$1,000,000	$513,000	$513,000	$513,000
Tuition	170,000	170,000	170,000	170,000	170,000
Refund of Prior Year Expenditures	4,000	4,000	4,000	4,000	4,000
Rent	20,000	20,000	20,000	20,000	20,000
Miscellaneous	118,000	118,000	118,000	118,000	118,000
Totals	$1,312,000	$1,312,000	$825,000	$825,000	$825,000

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 balance recorded to the general fund. In fiscal years 2003 through 2005, interest revenue is expected to decrease due to the School District not having tax anticipation note proceeds to invest.

E. - Proceeds From the Sale of Notes

During fiscal year 2000, the School District issued notes in anticipation of the collection of a three year emergency operating levy in the amount of $4,508,000. The notes will be retired over a three year period with a portion of the levy proceeds.

F. - Advances In

Advances in represent amounts loaned to other funds which are repaid in the subsequent fiscal year. The School District annually advances money to specific grant funds for cash flow purposes. These monies are repaid upon final reimbursement from the granting agency which generally occurs in the subsequent fiscal year.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation. In prior years, due to its financial condition, the School District reduced the certified, classified, and administrative staff levels. These positions have since been filled again and the staff level is expected to remain relatively unchanged for the forecast period.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses (continued)

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers January 1, 2000 through June 30, 2002 and allows increases of approximately 9.5 percent each year of the contract. The reason for this large increase was to bring the School District's certified staff salaries more in line with surrounding School Districts. Those years of the forecast period not covered by the existing contract, include base and step increases similar to prior years and those awarded by other area school districts.

Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract covers July 1, 2000 through June 30, 2003 and allows for increases of approximately 4.5 percent each year of the contract. The forecast periods of 2004 and 2005 not covered by the existing contract, include base and step increases similar to prior years and those awarded by other area school districts.

The School District generally negotiates a new master contract for certified and classified staff every three years. The actual salary increases that may be awarded are subject to the negotiation process and the increases may differ from the estimate used in the forecast.

The School District has separate severance payment policies for certified and classified staff. Certified staff, upon retirement, receive a one time payment equal to 25 percent of the employees accrued, unused sick leave. In addition, a retirement stipend of $400 for each year of service in the School District is paid to those certified employees that retire in the first year in which they become eligible. Classified staff receive a one time payment equal to 25 percent of accumulated, unused sick leave not to exceed 75 days. Classified employees who retire with over 200 days of unused sick leave will receive one extra day severance for every 50 days of accumulation beyond 200 days. All severance payments are based upon the employee's current rate of pay. The School District anticipates approximately 100 staff members retiring during the forecast period.

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

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Certified Salaries	$18,995,000	$19,790,000	$20,640,000	$21,550,000	$22,524,000
Classified Salaries	1,900,000	1,987,000	2,078,000	2,173,000	2,273,000
Supplemental Salaries	511,000	519,000	527,000	535,000	543,000
Substitute Pay	489,000	531,000	578,000	628,000	683,000
Severance Pay	415,000	443,000	477,000	512,000	549,000
Other Compensation	42,000	44,000	45,000	46,000	46,000
Totals	$22,352,000	$23,314,000	$24,345,000	$25,444,000	$26,618,000

The changes in salaries from 2001 to 2005 are based on the following:

1. An increase in the base salaries, step increases, and the replacement of retiring staff with lower salaried staff;

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses (continued)

2. An increase of 9 percent per year in the rate paid for substitutes and an increase in use of substitutes due to the School District being on academic watch, and additional training for full-time teaching staff; and,

3. An increase in severance payments due to the retirement of staff.

B. - Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year. In addition, the School District "picks up" the employee's share of retirement for certain administrative staff.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and annual increases in health care premiums.

Medicare benefits are forecasted based on related anticipated payroll costs for staff over the forecast period. Workers' compensation premiums are based on the School District's current rate and the anticipated salaries for the fiscal year.

Presented below is a comparison of employee benefits for the forecast period.

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
STRS Retirement	$2,712,000	$2,952,000	$3,082,000	$3,221,000	$3,370,000
SERS Retirement	361,000	428,000	442,000	457,000	472,000
Health Insurances	3,064,000	3,449,000	3,883,000	4,372,000	4,923,000
Workers' Compensation	31,000	33,000	34,000	36,000	37,000
Unemployment Insurance	3,000	3,000	4,000	4,000	5,000
Medicare	137,000	142,000	148,000	155,000	162,000
Totals	$6,308,000	$7,007,000	$7,593,000	$8,245,000	$8,969,000

The changes in employee benefits are based on the following:

1. An increase in health insurances because of staff changes, a 13 percent increase per year for medical, 10 percent increase per year for dental, and five percent increase per year for life insurance; and,

2. An increase in retirement benefit premiums due to the salary increases.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses (continued)

C. - Purchased Services

Purchased services expenditures are comprised of the following:

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Professional and Technical Services	$4,360,000	$4,884,000	$5,469,000	$6,125,000	$6,860,000
Property Services	493,000	552,000	618,000	693,000	776,000
Travel and Meeting Expense	41,000	46,000	51,000	58,000	65,000
Communication	252,000	282,000	316,000	354,000	397,000
Utilities Services	596,000	627,000	662,000	708,000	751,000
Tuition	900,000	1,008,000	1,129,000	1,264,000	1,416,000
Other	47,000	52,000	59,000	66,000	74,000
Totals	$6,689,000	$7,451,000	$8,304,000	$9,268,000	$10,339,000

Professional and technical services are anticipated to increase $2,500,000 over the forecast period due to additional expenditures in proficiency test preparation and implementation of the State mandated Strategic Continuous Improvement Plan, which are the result of the School District being placed on academic watch status. Also, the School District expects consulting and legal service fees to increase due to contract negotiations between the School District and its bargaining units.

Property services are expected to increase $283,000 over the forecast period due to the aging of School District buildings and the increased need for repairs and maintenance.

Utilities Services are expected to increase approximately $155,000 over the forecast period due to a substantial increase in heating fuel costs, as well as the aging buildings not being energy efficient.

Tuition costs are expected to increase $516,000 over the forecast period due to the growing population of students, especially special education students. The special education students require specialized facilities that the School District is unable to furnish at this time. These students must be transported to other districts which have these facilities, thereby increasing both tuition and pupil transportation costs.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses (continued)

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
General Supplies	$253,000	$273,000	$295,000	$319,000	$344,000
Textbooks	693,000	694,000	695,000	695,000	696,000
Library Books	11,000	12,000	13,000	13,000	15,000
Periodical, Newspaper, and Films	1,000	1,000	1,000	1,000	1,000
Supplies and Materials for Operation, Maintenance and Repair	178,000	214,000	256,000	308,000	369,000
Supplies and Materials for Operation	210,000	251,000	301,000	361,000	432,000
Totals	$1,346,000	$1,445,000	$1,561,000	$1,697,000	$1,857,000

General supplies are expected to increase due to inflation and the set-aside requirements (see Note 8).

The expenditures for textbooks are expected to remain relatively consistent for the foreseeable future. These estimates are a significant increase over prior fiscal years, due in large part to the State mandated Strategic Continuous Improvement Plan.

Supplies and materials for operation, maintenance and repair are expected to increase due to the aging of the School District's buildings and an increase in fuel costs resulting from an expansion of bus routes for transportation of special education students.

E. - Capital Outlay

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

Capital outlay expenditures are forecasted to increase from an estimated $697,000 in fiscal year 2001 to an estimated $815,000 in fiscal year 2005. This is due to the School District's continuing upgrade of computer and other technology equipment, as well as the periodic replacement of school buses.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses (continued)

F. - Debt Service

The School District has issued debt payable from general fund resources to meet its cash flow needs in previous fiscal years, to finance operating deficits, and for various improvements to its facilities. The debt obligations anticipated to be paid during the forecast period are as follows:

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
1996 State Operating Loan	$301,000	$318,000	$336,000	$0	$0
1998 Tax Anticipation Notes	1,500,000	0	0	0	0
2000 Tax Anticipation Notes	0	1,508,000	1,500,000	1,500,000	0
1992 Energy Conservation Notes	170,000	180,000	190,000	0	0
1993 Energy Conservation Notes	95,000	105,000	110,000	115,000	0
Capital Lease Obligations (Including Interest)	36,000	36,000	36,000	15,000	0
Interest and Fiscal Charges	370,000	251,000	140,000	41,000	0
Totals	$2,472,000	$2,398,000	$2,312,000	$1,671,000	$0

The forecasted changes in the general fund obligations are as follows:

General Fund Obligations	Interest Rate	Balance 06/30/00	Issued	Retired	Balance 06/30/05
1996 State Operating Loan	5.44%	$955,000	$0	$955,000	$0
1998 Tax Anticipation Notes	4.60%	1,500,000	0	1,500,000	0
2000 Tax Anticipation Notes	5.07%	4,508,000	0	4,508,000	0
1992 Energy Conservation Notes	6.20%	540,000	0	540,000	0
1993 Energy Conservation Notes	5.55%	425,000	0	425,000	0
Capital Lease Obligations	8.50%	110,000	0	110,000	0
Totals		$8,038,000	$0	$8,038,000	$0

State Operating Loan: In 1997, the School District obtained a State operating loan in the amount of $3,121,000 to finance operations for the fiscal year ended June 30, 1996.

*1998 Tax Anticipation Note*s: In 1998, the School District issued notes in anticipation of the collection of tax revenues from the 1997 emergency operating levy. The proceeds from the notes were used to meet current operating expenditures. The notes are to be retired over a three year period ending in fiscal year 2001.

2000 Tax Anticipation Notes: In 2000, the School District issued notes in anticipation of the collection of tax revenues from the 2000 emergency operating renewal levy. The proceeds from the notes were used to meet current operating expenses. The notes are to be retired over a three year period ending in fiscal year 2004.

1992 Energy Conservation Notes: In 1992, the School District issued energy conservation notes in the amount of $1,475,978. The proceeds were expended on repair and replacement of the HVAC and lighting systems.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses (continued)

1993 Energy Conservation Notes: In 1993, the School District issued energy conservation notes in the amount of $901,092. The note proceeds were used for the replacement of the heating plant and roof repairs.

G. - Other Objects

Other objects include County Auditor and Treasurer fees, liability insurance, annual audit costs, and county educational service center costs. These expenditures are anticipated to increase 10 percent annually.

H. - Operating Transfers and Advances Out

Advances out represents loans to other funds made in the current fiscal year. The School District annually advances money to specific grant funds for cash flow purposes. These monies are repaid upon final reimbursement from the granting agency which generally occurs in the subsequent fiscal year. Transfers out are forecasted based on historical patterns.

Note 7 - Encumbrances

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

Presented below is a comparison of the forecasted period.

Objects	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Purchased Services	$811,000	$843,000	$877,000	$912,000	$948,000
Supplies and Materials	133,000	138,000	144,000	150,000	156,000
Capital Outlay	286,000	298,000	310,000	322,000	335,000
Other	4,000	4,000	4,000	5,000	5,000
STRS Advance	300,000	312,000	324,000	337,000	351,000
Totals	$1,534,000	$1,595,000	$1,659,000	$1,726,000	$1,795,000

The STRS advance is not historically encumbered by the School District; however, it represents an obligation that is payable at the end of the fiscal year.

Note 8 - Reservations of Fund Balance and Set-Aside Calculations

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. The School District is also required to set aside money for budget stabilization.

Note 8 - Reservations of Fund Balance and Set-Aside Calculations (continued)

Effective July 1, 2001, Senate Bill 345 provides an alternate formula to calculate the set-aside amount for the textbooks and instructional materials and capital acquisition and improvements. The alternate formula requires three percent of the State base cost formula amount for the current fiscal year multiplied by the School District's student population for that fiscal year. A school district may, at its option, continue to use the original formula to calculate the set-aside requirement each year. For presentation in this forecast, management has calculated the set-aside requirements based on the original formula.

A. - Textbooks and Instructional Materials

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Balance at Beginning of Fiscal Year	$505,000	$0	$0	$0	$0
Current Year Set-aside Requirement	941,000	993,000	1,042,000	1,094,000	1,148,000
Current Year Offsets	0	0	0	0	0
Qualifying Disbursements	1,446,000	993,000	1,042,000	1,094,000	1,148,000
Balance at End of Fiscal Year	0	0	0	0	0
Set-Aside Reserve Balance at Fiscal Year End	$0	$0	$0	$0	$0

B. - Capital Acquisition and Improvements

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Balance at Beginning of Fiscal Year	$666,000	$0	$0	$0	$0
Current Year Set-aside Requirement	941,000	993,000	1,042,000	1,094,000	1,148,000
Current Year Offsets	0	0	0	0	0
Qualifying Disbursements	1,607,000	993,000	1,042,000	1,094,000	1,148,000
Balance at End of Fiscal Year	0	0	0	0	0
Set-Aside Reserve Balance at Fiscal Year End	$0	$0	$0	$0	$0

C. - Budget Reserve

The School District was required to establish a budget reserve and set aside one percent of certain revenues for each year there is an increase of three percent or more in base revenues. Each year the School District meets the criteria, the required balance in the budget reserve increases by the amount set aside until the five percent limit is reached. Under Section 39 of House Bill 770 and 5705.29(I) Revised Code, school districts are required to credit any refund from the Bureau of Workers' Compensation to the budget reserve. Workers' compensation refunds may reduce the contribution required in the current and/or future periods.

Note 8 - Reservations of Fund Balance and Set-Aside Calculations (continued)

Senate Bill 345, effective April 10, 2001, will eliminate the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in SB 345, including the offset of a budget deficit. The School District anticipates expending the existing balance of their budget reserve in accordance with SB 345 in fiscal year 2002.

D. - Bus Purchases

The School District had no bus purchase allowance balance at the end of fiscal year 2000. $100,000 in bus purchase allowance was received during fiscal year 2001. The School District will spend the entire amount for bus purchases during fiscal year 2001. The District expects to receive and spend $100,000 annually for the remainder of the forecast period.

Note 9 - Levies

The School District will request voter approval in the March, 2003 for the renewal of a 3 year emergency operating levy. The levy generates approximately $4,500,000 per year. For presentation in the forecast, the proceeds from the renewal levy are presented separately under "Revenue from Renewal Levies" because of the need for voter approval which is not subject to reasonable estimation.

In the past ten years, the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

Date	Type	Levy Rate Amount	Term	Election Results
May, 1991	Operating	9.49 Mills	2 Years	Failed
May, 1991	Operating	13.00 Mills	Continuing	Failed
August, 1991	Operating	9.49 Mills	2 Years	Failed
August, 1991	Operating	13.00 Mills	Continuing	Failed
November, 1991	Operating	13.00 Mills	Continuing	Passed
November, 1992	Operating	5.50 Mills	Continuing	Failed
May, 1993	Operating	9.50 Mills	Continuing	Failed
November, 1993	Operating	9.90 Mills	Continuing	Failed
November, 1994	Permanent Improvement	1.00 Mill	5 Years	Failed
March, 1996	Operating	13.00 Mills	Continuing	Failed
November, 1996	Operating	9.50 Mills	Continuing	Failed
May, 1997	Emergency	9.50 Mills	3 Years	Passed
November, 1999	Emergency	8.72 Mills	3 Years	Failed
March, 2000	Emergency	8.72 Mills	3 Years	Passed

Note 10 - Pending Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's management that resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 11 - Capital Leases

The School District has entered into capitalized leases for a copier and library automation equipment. Each lease meets 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 purchased services expenditures.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of $291,834. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The account groups are not presented as part of the forecast.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000:

Fiscal Year Ending June 30,	GLTOAG
2001	$36,000
2002	36,000
2003	36,000
2004	15,000
Total	123,000
Less: Amount Representing Interest	(13,000)
Present Value of Net Minimum Lease Payments as of June 30, 2000	$110,000

Note 12 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received $14,778,000 of school foundation support for its general fund.

<u>Note 12 - State School Funding Decision</u> (continued)

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. As of June 30, 2000, the School District has an outstanding balance due of $955,000 borrowed under this program; the final payment of this note will be made in fiscal year 2003. The terms of the debt are further described in Note 6 to these financial statements.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of this financial forecast, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding revenues under these programs and on its financial operations.

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GROVEPORT MADISON LOCAL SCHOOL DISTRICT

FRANKLIN 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 15, 2001