



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

**Trimble Local School District**  
Athens County

Financial Forecast  
For The Fiscal Year Ending June 30, 2002

Trimble Local School District  
Athens County

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Ohio Department of Education  
25 South Front Street  
Columbus, Ohio 43215

and

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

**CERTIFICATION**

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the financial forecast of the General Fund of the Trimble Local School District, Athens County, Ohio. This 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 balance for the fiscal year ending June 30, 2002 of \$60,000. The School District has no required cash reserves.

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 2003 scheduled property tax settlements. The potential have been excluded due to the 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 appropriate any such advances for fiscal year 2002.

A handwritten signature in black ink, appearing to read "Christine L. Hansen".

Christine L. Hansen, CPA  
Chief of Local Government Services

May 13, 2002



STATE OF OHIO  
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**Independent Accountant's Report**

We have examined the accompanying forecasted schedule of revenues, expenditures and changes in fund balance of the general fund of the Trimble Local School District for the fiscal year ending June 30, 2002. The Trimble Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying financial forecast has been prepared assuming the Trimble Local School District will continue as a going concern. The School District has experienced recurring general fund operating deficiencies, decreases in the unencumbered fund balance, and has borrowed against future revenues to finance its operations. In addition, the School District was declared in Fiscal Emergency status on January 31, 2001, obtained a solvency assistance advance of \$945,000 to finance fiscal year 2001 operations, and has not requested voter approval for additional general fund operating levies. These matters and management's plans regarding them are described in Note 13 to the financial forecast. The financial forecast does not include any adjustments that might result from the outcome of this uncertainty.

The historical financial statements for the years ended June 30, 1999, 2000 and 2001 were audited by the Auditor of State's Office and included an unqualified opinion on these financial statements in reports dated March 9, 2000, January 9, 2001, and December 27, 2001, respectively. The opinion letter on the June 30, 2001 financial statements included a going concern issue. We have not performed any auditing procedures since.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

March 20, 2002

**TRIMBLE LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEARS ENDED JUNE 30, 1999, 2000 AND 2001 ACTUAL;  
FISCAL YEAR ENDING JUNE 30, 2002 FORECASTED  
GENERAL FUND

	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual	Fiscal Year 2002 Forecasted
<b>Revenues</b>				
General Property Tax (Real Estate)	\$447,000	\$466,000	\$430,000	\$452,000
Tangible Personal Property Tax	12,000	18,000	13,000	71,000
Income Tax	58,000	4,000	0	1,000
Unrestricted Grants-in-Aid	4,722,000	5,016,000	5,106,000	5,436,000
Restricted Grants-in-Aid	404,000	364,000	496,000	734,000
Property Tax Allocation	80,000	79,000	76,000	79,000
All Other Revenues	236,000	193,000	154,000	151,000
<i>Total Revenues</i>	<u>5,959,000</u>	<u>6,140,000</u>	<u>6,275,000</u>	<u>6,924,000</u>
<b>Other Financing Sources</b>				
Operating Transfers-In	0	0	0	0
State Emergency Loans and Advancements	0	0	945,000	0
Advances-In	0	1,000	37,000	13,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>1,000</u>	<u>982,000</u>	<u>13,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>5,959,000</u>	<u>6,141,000</u>	<u>7,257,000</u>	<u>6,937,000</u>
<b>Expenditures</b>				
Personal Services	3,865,000	4,076,000	4,219,000	4,272,000
Employees' Retirement/Insurance Benefits	1,385,000	1,395,000	1,469,000	1,680,000
Purchased Services	384,000	441,000	410,000	493,000
Supplies and Materials	233,000	173,000	150,000	313,000
Capital Outlay	126,000	56,000	70,000	129,000
Debt Service:				
Principal - Notes	27,000	54,000	0	0
Principal - Solvency Assistance Advance	0	0	0	473,000
Interest and Fiscal Charges	4,000	3,000	0	0
Other Objects	245,000	181,000	247,000	269,000
<i>Total Expenditures</i>	<u>6,269,000</u>	<u>6,379,000</u>	<u>6,565,000</u>	<u>7,629,000</u>
<b>Other Financing Uses</b>				
Operating Transfers-Out	64,000	47,000	70,000	10,000
Advances-Out	1,000	60,000	0	0
<i>Total Other Financing Uses</i>	<u>65,000</u>	<u>107,000</u>	<u>70,000</u>	<u>10,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>6,334,000</u>	<u>6,486,000</u>	<u>6,635,000</u>	<u>7,639,000</u>
<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	(375,000)	(345,000)	622,000	(702,000)
<i>Cash Balance July 1</i>	<u>860,000</u>	<u>485,000</u>	<u>140,000</u>	<u>762,000</u>
<i>Cash Balance June 30</i>	485,000	140,000	762,000	60,000
Estimated Encumbrances June 30	23,000	5,000	15,000	0
Reservation of Fund Balance				
Textbooks and Instructional Materials	0	39,000	12,000	0
Budget Stabilization	66,000	66,000	33,000	0
<i>Unencumbered/Unreserved Fund Balance/ (Deficit) June 30</i>	<u>\$396,000</u>	<u>\$30,000</u>	<u>\$702,000</u>	<u>\$60,000</u>

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

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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

This financial forecast presents, to the best of the Trimble Local School District Board of Education and the Financial Planning and Supervision Commission'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 March 20, 2002, 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.

The accompanying forecast was prepared for the purpose of determining whether the Trimble Local School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code 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 laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA) and textbook subsidy funds, and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1999, 2000, and 2001. These differences are as follows:

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$5,478,000	\$5,675,000	\$6,800,000
Removal of Intrafund Transfers	0	(12,000)	0
DPIA	482,000	480,000	463,000
Funds Combined with General Fund for Reporting Purposes	<u>(1,000)</u>	<u>(2,000)</u>	<u>(6,000)</u>
Total Revenues and Other Sources per Forecast	<u>5,959,000</u>	<u>6,141,000</u>	<u>7,257,000</u>

Continued

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	\$5,875,000	\$6,024,000	\$6,189,000
Removal of Intrafund Transfers	0	(12,000)	0
Encumbrances	(23,000)	(5,000)	(15,000)
DPIA	482,000	480,000	463,000
Fund Combined with General Fund for Reporting Purposes	0	(1,000)	(2,000)
Total Expenditures and Other Uses per Forecast	<u>6,334,000</u>	<u>6,486,000</u>	<u>6,635,000</u>
Excess of Revenues and Other Sources Over(Under) Expenditures and Other Uses			
	(375,000)	(345,000)	622,000
Cash Fund Balance at Beginning of Fiscal Year	<u>860,000</u>	<u>485,000</u>	<u>140,000</u>
Cash Fund Balance at End of Fiscal Year	485,000	140,000	762,000
Encumbrances at Fiscal Year End	(23,000)	(5,000)	(15,000)
Unencumbered Fund Balance at Fiscal Year End	<u>\$462,000</u>	<u>\$135,000</u>	<u>\$747,000</u>

**Note 3 - Summary of Significant Accounting Policies**

**A. - Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts and disbursements 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.

**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.

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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

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

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 cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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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 Trimble 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 of Education has determined to be necessary to provide for an adequate educational program.

**Note 5 - Significant Assumptions for Revenues and Other Financing Sources**

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

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

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the 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 next fiscal year. New and /or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection.

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

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Last Year of Collection</u>	<u>Full Tax Rate (Mills)</u>
Continuing Operating	1972	n/a	\$4.00
Continuing Operating	1973	n/a	6.90
Continuing Operating	1973	n/a	0.50
Continuing Operating	1974	n/a	7.00
Current Operating	1976	n/a	5.10
Total Tax Rate			<u>\$23.50</u>

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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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 represents gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Athens County Auditor. Based upon this information, the School District anticipates receiving \$452,000 in real estate tax revenue, a \$22,000 increase from the previous fiscal year. This increase is due to an increase in property tax values. The increase is offset by a loss in property tax values in the amount of \$674,058 due to the effect of natural gas and electric utility deregulation. The resulting loss in property tax revenue will be offset by a reimbursement of \$18,000 per year. \$9,000 of the reimbursement will be received in fiscal year 2002.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the 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 Athens County Auditor. Based upon these estimates, the School District anticipates receiving \$71,000 in tangible personal property tax revenue, a \$58,000 increase from the previous fiscal year. This is due to increased mining activity in the School District.

**B. - Income Tax**

During fiscal year 2002, the School District collected \$1,000 in delinquent income tax from a levy that expired in fiscal year 1999. The School District does not anticipate any further collections

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

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

In 1998, State law set the base cost per pupil at \$4,063 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001. State law set the base cost per pupil at \$4,814 for fiscal year 2002.

In addition to State foundation revenue, the School District is anticipating \$9,000 in reimbursements for lost property tax revenue due to the electric deregulation, based on tax information provided by the Ohio Department of Taxation. The School District will receive half of their reimbursement in fiscal year 2002.

The anticipated revenue for fiscal year 2002 is based on current estimates provided by the Ohio Department of Education and the Ohio Department of Taxation (electric and gas deregulation reimbursement). The anticipated increase of \$321,000 is based on the following:

- An increase in ADM and per pupil funding;
- The addition of the electric and gas deregulation reimbursement in the amount of \$9,000;
- A decrease in special education funding, and,
- A decrease in the unrestricted percentage of DPIA funding from 17 percent to zero.

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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

Restricted grants-in-aid consist of the following:

<u>Revenue Source</u>	<u>Actual Fiscal Year 2001</u>	<u>Forecast Fiscal Year 2002</u>	<u>Variance Increase (Decrease)</u>
Bus Purchase Allowance	\$108,000	\$56,000	(\$52,000)
Parity Aid	0	185,000	185,000
DPIA	388,000	493,000	105,000
Totals	<u>\$496,000</u>	<u>\$734,000</u>	<u>\$238,000</u>

The anticipated increase in restricted grants-in-aid is based on the following:

- The addition of parity aid;
- An increase in the restricted percentage of DPIA funding from 83 percent to 100 percent; and
- A reduction in School Bus Purchase Allowance, from two buses to one.

**E. - Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead). Property tax allocation revenue, based on information provided by the Athens County Auditor, is anticipated to increase \$3,000, from \$76,000 to \$79,000.

**F. - All Other Revenues**

All other revenues consists of manufactured home tax, interest on investments, classroom materials and fees, tuition, and miscellaneous revenues. All other revenues is anticipated to decrease \$3,000, due to a decrease in interest on investments, which is a result of decreases in interest rates and cash balances.

**G. - Advances In**

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$13,000 which represents the repayment of an advance from fiscal year 1999. The general fund has \$10,000 in interfund receivables that will not be repaid during fiscal year 2002.

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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

**A. - Personal Services**

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation. All employees receive their compensation on a bi-weekly basis.

Certified (teacher) staff salaries and classified employee salaries are based on a contract with their respective bargaining units. The contracts cover the period of July 1, 2000, to June 30, 2003. Administrative salaries are set by the Board of Education. Management estimates that step increases amount to 1.0 percent annually. Management also estimates that annual negotiated raises amount to 2.4 percent annually.

The School District offers severance pay to its employees of up to one-fourth of the accumulated sick leave to a maximum of 200 days and the unused personal leave upon retirement, to be paid at the employee's current per diem rate.

Personal services expenditures are anticipated to increase \$53,000, from \$4,219,000 to \$4,272,000 due to the following factors:

- An increase of \$43,000 due to step increases;
- An increase of \$99,000 due to negotiated raises;
- An increase of \$81,000 in severance pay to retirees;
- An increase of \$50,000 in supplemental contracts paid from the general fund that in prior years had been paid from the district managed activities special revenue fund; and
- A reduction of \$220,000 in salaries due to a reduction in force of five teachers.

**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; therefore, retirement costs may not increase in the same increment as salaries. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums. The School District participates in a PPO plan. The School District anticipates an 18 percent increase in medical insurance and a 24 percent increase in dental insurance.

The School District offers an early retirement incentive program to its teachers in which the School District would buy up to two years of service credit. The program is available to those teachers who are at least 50 years of age and have 28 years of service, or age 60 with five years of service.

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

Presented below is a comparison of fiscal year 2001 and the forecast period:

	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Variance Increase (Decrease)
Employer's Retirement	\$644,000	\$652,000	\$8,000
Health Care Insurance	669,000	795,000	126,000
Workers' Compensation	25,000	6,000	(19,000)
Early Retirement Incentive	100,000	196,000	96,000
Medicare	31,000	31,000	0
Totals	<u>\$1,469,000</u>	<u>\$1,680,000</u>	<u>\$211,000</u>

The significant changes in employees' retirement and insurance benefits are based on the following:

- Employers' retirement cost increase of \$8,000, based on salary increases offset by variances in the estimated and actual salary data provided to the pension system;
- An 18 percent increase in health insurance premiums and a 24 percent increase in dental insurance premiums, offset by a reduction in staff;
- A 75 percent reduction in workers' compensation premiums for the forecasted year; and,
- An increase in early retirement incentives due to an increase in the costs for the specific individuals choosing to retire.

**C. - Purchased Services**

Purchased services are anticipated to increase \$83,000, from \$410,000 to \$493,000, based on the following:

- An increase in utility costs due to the installation of air conditioning in all School District buildings; and,
- The contracting of nursing services and Continuous Improvement Plan Coordinator.

**D. - Supplies and Materials**

Expenditures included in supplies and materials are for general supplies, library books, periodicals, textbooks, and expenses for operations, maintenance and repair.

Supplies and materials expenditures are expected to increase \$163,000, from \$150,000 to \$313,000, based on the following:

- An increase in teacher supplies due to the supplying of the new school building;
- \$131,000 for textbooks and materials previously purchased on behalf of the School District by the Athens County Department of Jobs and Family Services; and
- The purchase of user licenses for software contained on computers donated to the School District by the Ohio State University.

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

**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 government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$129,000, an increase of \$59,000 from the previous fiscal year. This is primarily due to the purchase of two new buses in Fiscal Year 2002 (only one bus will be fully reimbursed by the State).

**F. - Debt Service**

General fund supported debt consists entirely of a school district solvency assistance fund advance. The forecasted changes in the general fund obligations are as follows:

	Interest Rate	Balance 6/30/2001	Issued	Retired	Balance 6/30/2002
State Solvency Assistance Advance 2001	0.00%	\$945,000	\$0	\$473,000	\$472,000

**G. - Other Objects**

Other objects include dues, fees, liability insurance, and county educational service center costs. The School District is forecasting an increase in education service center fees of \$22,000.

**H. - Operating Transfers and Advances Out**

The School District expects to make a transfer from the general fund to the district managed activity special revenue fund in the amount of \$10,000 during fiscal year 2002.

**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 balance.

Historically, the School District has very limited encumbrances at the end of a fiscal year, and anticipates no encumbrances at the end of fiscal year 2002.

**Note 8 - Reservations of Fund Balance**

The School District is required by State statute to annually set aside in the general fund three percent of 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.

Trimble Local School District

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

**A. - Textbooks and Instructional Materials**

The set aside required amount for fiscal year 2002 is \$99,000. There was a carryover of \$11,000 from fiscal year 2001. Qualifying expenditures in the amount of \$110,000 are anticipated; therefore, no textbook and instructional materials reserve is required.

**B. - Capital Acquisition and Improvements**

The set aside required amount for fiscal year 2002 is \$99,000. There was a negative carryover of \$995,000 from fiscal year 2001. In fiscal year 2002, \$128,000 in off-sets from a tax levy is anticipated; therefore, no reserve is required.

**C. - Budget Reserve**

The School District is not required to maintain a budget reserve.

**D. - Disadvantaged Pupil Impact Aid (DPIA)**

The School District anticipates receiving \$347,000 in restricted DPIA monies during fiscal year 2002, which it anticipates spending in the current fiscal year. Therefore, no reserve is anticipated at June 30, 2002.

**Note 9 - Levies**

The School District does not plan to place any levies on the ballot during fiscal year 2002. 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:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
May 1992	Income Tax	1.5 Percent	5 Years	Passed
May 1997	Income Tax	1.25 Percent	5 Years	Failed
November 1997	Bond Issue	3.13 Mills	23 Years	Failed
May 1998	Bond Issue	2.97 Mills	23 Years	Failed
August 1998	Bond Issue	3.09 Mills	23 Years	Failed
May 1999	Bond Issue	3.02 Mills	23 Years	Passed

**Note 10 - Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2002

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**Note 11 - State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of March 20, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

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

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

**Note 13 - Supplemental Information Related to Periods Beyond the Forecast Period**

The School District is required to adopt and file a five-year financial forecast with the Ohio Department of Education by December 31, each year. In addition, the Financial Planning and Supervision Commission adopted a recovery plan. Although management has not prepared a financial forecast for periods beyond June 30, 2006, it believes that the following information is necessary in order for users to make a meaningful analysis of the forecast results.

Trimble Local School District

Summary of Significant Forecast Assumptions and Accounting Policies  
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Management's forecast for the five years ending June 30, 2006, anticipates accumulated operating deficits of approximately \$950,000 each year. The forecast assumes no growth in revenue, no new revenue, and the continuation of the same educational programs and staff levels, with annual salary increases.

This information in the five year forecast is less reliable than the information presented in this one year forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that the events and circumstances described in this analysis will occur.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**TRIMBLE LOCAL SCHOOL DISTRICT**

**ATHENS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 17, 2002**