



**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Fiduciary Net Assets – Fiduciary Fund.....	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	19
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule of Federal Awards Receipts and Expenditures	46
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	49
Schedule of Findings – OMB Circular A-133 § .505.....	51

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble Local School District, Athens County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble Local School District, Athens County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22, during the year ended June 30, 2005, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the result of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

April 4, 2006

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited**

The discussion and analysis of Trimble Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$813,592.
- General revenues accounted for \$6,966,895 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$2,344,384 or 25% of total revenues of \$9,311,279.
- The District had \$10,124,871 in expenses related to governmental activities; only \$2,344,384 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$6,966,895 were not adequate to provide for these programs.
- Program expenses totaled \$10,124,871. Instructional expenses made up \$5,446,677, or 54 percent of this total while support services accounted for \$3,463,933, or 34 percent. Other expenses of \$1,214,261 rounded out the remaining 12 percent.
- The District's has two major funds: the General Fund and the Bond Retirement Debt Service Fund. The General Fund had \$6,848,141 in revenues and \$6,895,036 in expenditures. The General Fund's balance decreased \$46,895. The Bond Retirement Debt Service Fund had \$368,704 in revenues and \$341,604 in expenditures. The Bond Retirement Debt Service Fund's balance increased by \$27,100.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

Reporting the District as a Whole (Continued)

Statement of Net Assets and Statement of Activities (Continued)

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

In the statement of net assets and the statement of activities, all of the District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2005 compared to 2004.

**Table 1
Net Assets
Governmental Activities**

	2005	2004
<u>Assets</u>		
Current and Other Assets	\$1,625,317	\$1,998,720
Capital Assets, Net	16,767,071	17,251,177
Total Assets	18,392,388	19,249,897
<u>Liabilities</u>		
Other Liabilities	1,992,320	2,138,263
Long-Term Liabilities	1,839,845	1,737,819
Total Liabilities	3,832,165	3,876,082
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	15,575,868	16,073,818
Restricted	267,421	581,739
Unrestricted	(1,283,066)	(1,281,742)
Total	\$14,560,223	\$15,373,815

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$14,560,223. By comparing assets and liabilities, one can see the overall position of the District as evidenced by the decrease in net assets of \$813,592.

A portion of the District's net assets, \$267,421, represents resources that are subject to external restrictions on how they may be used. There remains a negative balance of unrestricted net assets of \$1,283,066, which is insufficient to provide for the District's ongoing obligations to the students and creditors.

At fiscal year-end, capital assets represented 91 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures, equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005 were \$15,575,868. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets are not liquidated to reduce these liabilities.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005. Comparisons to 2004 have been included, as follows:

**Table 2
Change in Net Assets
Governmental Activities**

	2005	2004
<u>Revenues</u>		
Program Revenues:		
Charges for Services and Sales	\$469,556	\$542,061
Operating Grants, Contributions and Interest	1,874,828	2,682,607
Capital Grants and Contributions		41,708
Total Program Revenues	<u>2,344,384</u>	<u>3,266,376</u>
General Revenues:		
Property Taxes	973,679	853,507
Income Taxes	2,142	1,240
Grants and Entitlements	5,888,419	5,143,916
Gifts and Donations	4,865	
Investment Earnings	3,010	4,057
Miscellaneous	94,780	9,036
Total General Revenues	<u>6,966,895</u>	<u>6,011,756</u>
Total Revenues	<u>9,311,279</u>	<u>9,278,132</u>
<u>Expenses</u>		
Instruction:		
Regular	3,631,852	3,745,894
Special	1,436,928	1,283,973
Vocational	53,160	153,593
Other	324,737	
Support Services:		
Pupils	434,009	457,142
Instructional Staff	518,599	539,680
Board of Education	52,733	55,412
Administration	742,820	699,153
Fiscal	273,088	245,817
Operation and Maintenance of Plant	804,099	960,780
Pupil Transportation	633,202	649,049
Central	5,383	12,453
Non-Instructional	516,095	451,628
Extracurricular Activities	165,671	185,931
Capital Outlay	452,644	
Interest and Fiscal Charges	79,851	88,341
Total Expenses	<u>10,124,871</u>	<u>9,528,846</u>
Decrease in Net Assets	<u>(\$813,592)</u>	<u>(\$250,714)</u>

Net assets of the District's governmental activities decreased by \$813,592 in fiscal year 2005. Program revenues of \$2,344,384 and general revenue of \$6,966,895 did not offset total governmental expenses of \$10,124,871. Program revenues supported 23 percent of total governmental expenses.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 94 percent of total governmental revenue. Grants and entitlements, alone, represent 83 percent of revenues. Income taxes, interest income, and miscellaneous revenue account for the remaining 6 percent.

Instruction comprises approximately 54 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 34 percent. The remaining 8 percent of program expenses is used for other obligations of the District such as non-instructional service, food service operations, extracurricular activities, and interest and fiscal charges.

The statement of activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u> <u>2005</u>	<u>Net Cost of Services</u> <u>2005</u>	<u>Total Cost of Services</u> <u>2004</u>	<u>Net Cost of Services</u> <u>2004</u>
Instruction:				
Regular	\$3,631,852	\$2,720,209	\$3,745,894	\$2,797,787
Special	1,436,928	577,463	1,283,973	170,605
Vocational	53,160	53,160	153,593	113,207
Other	324,737	324,737		
Support Services:				
Pupils	434,009	382,307	457,142	244,244
Instructional Staff	518,599	451,726	539,680	211,524
Board of Education	52,733	52,733	55,412	55,412
Administration	742,820	742,820	699,153	659,373
Fiscal	273,088	273,088	245,817	237,756
Operation and Maintenance of Plant	804,099	804,099	960,780	960,641
Pupil Transportation	633,202	633,202	649,049	563,272
Central	5,383	5,383	12,453	11,934
Non-Instructional	516,095	149,184	451,628	48,607
Extracurricular Activities	165,671	77,881	185,931	99,767
Capital Outlay	452,644	452,644		
Interest and Fiscal Charges	79,851	79,851	88,341	88,341
Total Expenses	<u>\$10,124,871</u>	<u>\$7,780,487</u>	<u>\$9,528,846</u>	<u>\$6,262,470</u>

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

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

The District's Funds

The District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,585,973 and expenditures of \$9,685,065.

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its General Fund budget, but not significantly. The District uses a modified site-based budgeting technique that is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue was \$6,690,571, below original estimates of \$6,929,193. The \$238,622 difference was due to inflated intergovernmental estimates, based on the State's budget reduction.

The District's ending unobligated General Fund balance was \$67,758.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$16,767,071 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

**Table 4
Capital Assets
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land and Land Improvements	\$246,642	\$368,262
Buildings and Improvements	15,710,794	16,032,627
Furniture and Equipment	578,758	642,604
Vehicles	230,877	207,684
Totals	\$16,767,071	\$17,251,177

For additional information on capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2005, the District had general obligation bonds outstanding of \$1,055,000 and \$136,203 in capital leases. The leases are for copiers. For additional information on debt, see the notes to the basic financial statements.

Current Issues

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited
(Continued)**

Current Issues (Continued)

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

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

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

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

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

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

Contacting the District's Financial Management

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

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**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Statement of Net Assets
June 30, 2005**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	486,439
Cash and Cash Equivalents in Segregated Accounts		339
Materials and Supplies Inventory		19,466
Accrued Interest Receivable		373
Accounts Receivable		23,814
Intergovernmental Receivable		162,536
Taxes Receivable		931,304
Income Taxes Receivable		1,046
Non-Depreciable Capital Assets		55,370
Depreciable Capital Assets, net		16,711,701
Total Assets		18,392,388
 LIABILITIES:		
Accounts Payable		19,580
Accrued Wages and Benefits		961,875
Intergovernmental Payable		254,595
Accrued Interest Payable		6,025
Deferred Revenue		750,245
Long-Term Liabilities:		
Due Within One Year		97,561
Due in More Than One Year		1,742,284
Total Liabilities		3,832,165
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		15,575,868
Restricted for Debt Service		262,902
Restricted for Capital Outlay		748
Restricted for Other Purposes		3,771
Unrestricted		(1,283,066)
Total Net Assets	\$	14,560,223

See Accompanying Notes to the Basic Financial Statements

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 3,631,852	\$ 288,699	\$ 622,944	\$ (2,720,209)
Special	1,436,928	0	859,465	(577,463)
Vocational	53,160	0	0	(53,160)
Other	324,737	0	0	(324,737)
Support Services:				
Pupils	434,009	0	51,702	(382,307)
Instructional Staff	518,599	0	66,873	(451,726)
Board of Education	52,733	0	0	(52,733)
Administration	742,820	0	0	(742,820)
Fiscal	273,088	0	0	(273,088)
Operation and Maintenance of Plant	804,099	0	0	(804,099)
Pupil Transportation	633,202	0	0	(633,202)
Central	5,383	0	0	(5,383)
Operation of Non-Instructional Services	516,095	93,067	273,844	(149,184)
Extracurricular Activities	165,671	87,790	0	(77,881)
Capital Outlay	452,644	0	0	(452,644)
Interest and Fiscal Charges	79,851	0	0	(79,851)
Totals	\$ 10,124,871	\$ 469,556	\$ 1,874,828	(7,780,487)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			827,540	
Property Taxes, Levied for Debt Service			134,764	
Property Taxes, Levied for Other			11,375	
Income Taxes			2,142	
Grants and Entitlements not Restricted to Specific Programs			5,888,419	
Gifts and Donations			4,865	
Investment Earnings			3,010	
Miscellaneous			94,780	
Total General Revenues			6,966,895	
Change in Net Assets			(813,592)	
Net Assets Beginning of Year			15,373,815	
Net Assets End of Year			\$ 14,560,223	

See Accompanying Notes to the Basic Financial Statements

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2005**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 75,434	\$ 268,114	\$ 142,891	\$ 486,439
Cash and Cash Equivalents in Segregated Accounts	0	0	339	339
Materials and Supplies Inventory	14,806	0	4,660	19,466
Accrued Interest Receivable	373	0	0	373
Accounts Receivable	16,904	0	6,910	23,814
Interfund Receivable	2,038	0	0	2,038
Intergovernmental Receivable	1,022	0	161,514	162,536
Taxes Receivable	746,533	173,958	10,813	931,304
Income Taxes Receivable	1,046	0	0	1,046
Total Assets	\$ 858,156	\$ 442,072	\$ 327,127	\$ 1,627,355
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 19,580	\$ 19,580
Accrued Wages and Benefits	714,623	0	247,252	961,875
Interfund Payable	0	0	2,038	2,038
Intergovernmental Payable	98,773	0	26,586	125,359
Deferred Revenue	721,815	173,145	36,155	931,115
Total Liabilities	1,535,211	173,145	331,611	2,039,967
Fund Balances				
Reserved:				
Reserved for Encumbrances	7,670	0	3,777	11,447
Reserved for Property Taxes	16,368	4,030	0	20,398
Reserved for Unclaimed Monies	1,476	0	0	1,476
Unreserved, Designated for:	254	0	0	254
Unreserved, Undesignated, Reported in:				
General Fund	(702,823)	0	0	(702,823)
Special Revenue Funds	0	0	(9,117)	(9,117)
Debt Service Funds	0	264,897	0	264,897
Capital Projects Funds	0	0	856	856
Total Fund Balances	(677,055)	268,927	(4,484)	(412,612)
Total Liabilities and Fund Balances	\$ 858,156	\$ 442,072	\$ 327,127	\$ 1,627,355

See Accompanying Notes to the Basic Financial Statements

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005**

Total Governmental Fund Balances	\$	(412,612)
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		16,767,071
Taxes and Grants Receivable that do not provide financial resources are not reported as revenues in governmental fund.		180,870
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(129,236)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(6,025)	
General Obligation Bonds Payable	(1,055,000)	
Leases Payable	(136,203)	
Compensated Absences Payable	(648,642)	
	(1,845,870)	
Net Assets of Governmental Activities	\$	14,560,223

See Accompanying Notes to the Basic Financial Statements

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 680,081	\$ 154,697	\$ 12,921	\$ 847,699
Income Tax	2,024	0	0	2,024
Intergovernmental	5,721,377	214,007	2,033,117	7,968,501
Interest	3,009	0	1	3,010
Tuition and Fees	219,891	0	0	219,891
Rent	788	0	0	788
Extracurricular Activities	0	0	87,790	87,790
Gifts and Donations	1,100	0	3,765	4,865
Customer Sales and Services	68,020	0	93,067	161,087
Miscellaneous	3,968	0	90,285	94,253
Total Revenues	6,700,258	368,704	2,320,946	9,389,908
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,900,799	0	516,438	3,417,237
Special	871,654	0	575,987	1,447,641
Vocational	63,061	0	0	63,061
Other	324,737	0	0	324,737
Support Services:				
Pupils	113,746	0	317,295	431,041
Instructional Staff	107,449	0	358,887	466,336
Board of Education	52,733	0	0	52,733
Administration	689,177	0	37,065	726,242
Fiscal	250,545	4,113	8,023	262,681
Operation and Maintenance of Plant	750,505	0	56,303	806,808
Pupil Transportation	610,923	0	9,231	620,154
Central	5,383	0	0	5,383
Operation of Non-Instructional Services	0	0	477,362	477,362
Extracurricular Activities	73,078	0	91,834	164,912
Debt Service:				
Principal	30,603	259,500	0	290,103
Interest	2,461	77,991	0	80,452
Total Expenditures	6,846,854	341,604	2,448,425	9,636,883
Excess of Revenues Over (Under) Expenditures	(146,596)	27,100	(127,479)	(246,975)
OTHER FINANCING SOURCES AND USES:				
Transfers In	0	0	48,182	48,182
Proceeds from Sale of Fixed Assets	527	0	0	527
Inception of Capital Lease	147,356	0	0	147,356
Transfers Out	(48,182)	0	0	(48,182)
Total Other Financing Sources and Uses	99,701	0	48,182	147,883
Net Change in Fund Balances	(46,895)	27,100	(79,297)	(99,092)
Fund Balance (Deficit) at Beginning of Year	(630,160)	241,827	74,813	(313,520)
Fund Balance (Deficit) at End of Year	\$ (677,055)	\$ 268,927	\$ (4,484)	\$ (412,612)

See Accompanying Notes to the Basic Financial Statements

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (99,092)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	145,567	
Depreciation	<u>(629,573)</u>	(484,006)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(100)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	(205,254)	
Income Taxes	118	
Delinquent Property Taxes	<u>125,980</u>	(79,156)

The inception of a capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets.

Inception of a capital lease		(147,356)
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

133,512

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

601

In the statement of activities revenues that were reported as negative revenues on the governmental funds, have been reclassified as expenses.

(6,237)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(43,576)	
Compensated Absences Payable	<u>(88,182)</u>	(131,758)

Change in Net Assets of Governmental Activities		<u><u>\$ (813,592)</u></u>
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See Accompanying Notes to the Basic Financial Statements

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 668,608	\$ 685,852	\$ 685,852	\$ -
Income Tax	0	1,096	1,096	-
Intergovernmental	5,974,154	5,723,516	5,723,516	-
Interest	3,000	2,069	2,310	241
Tuition and Fees	209,550	203,237	203,237	-
Rent	150	788	788	-
Customer Sales and Services	70,000	68,020	68,020	-
Miscellaneous	1,500	2,947	2,947	-
Total Revenues	<u>6,926,962</u>	<u>6,687,525</u>	<u>6,687,766</u>	<u>241</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,937,848	2,900,150	2,900,148	2
Special	778,924	834,617	834,617	-
Vocational	146,358	75,474	75,474	-
Other	250,500	324,737	324,737	-
Support Services:				
Pupils	195,313	126,533	126,534	(1)
Instructional Staff	221,762	120,934	120,934	-
Board of Education	45,150	59,654	59,654	-
Administration	682,635	678,769	678,768	1
Fiscal	242,403	243,908	243,908	-
Operation and Maintenance of Plant	802,098	752,102	752,102	-
Pupil Transportation	627,043	599,956	599,956	-
Central	13,000	5,383	5,383	-
Extracurricular Activities	77,350	74,947	74,947	-
Total Expenditures	<u>7,020,384</u>	<u>6,797,164</u>	<u>6,797,162</u>	<u>2</u>
Excess of Revenues Over (Under) Expenditures	<u>(93,422)</u>	<u>(109,639)</u>	<u>(109,396)</u>	<u>243</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Capital Assets	0	527	527	-
Refund of Prior Year Expenditures	0	288	771	483
Advances In	2,231	2,231	2,231	-
Transfers Out	(60,000)	(48,181)	(48,182)	(1)
Advances Out	0	(1,805)	(1,805)	-
Total Other Financing Sources and Uses	<u>(57,769)</u>	<u>(46,940)</u>	<u>(46,458)</u>	<u>482</u>
Net Change in Fund Balances	(151,191)	(156,579)	(155,854)	725
Fund Balance (Deficit) at Beginning of Year	220,264	220,264	220,264	-
Prior Year Encumbrances Appropriated	3,348	3,348	3,348	-
Fund Balance (Deficit) at End of Year	<u>\$ 72,421</u>	<u>\$ 67,033</u>	<u>\$ 67,758</u>	<u>\$ 725</u>

See Accompanying Notes to the Basic Financial Statements

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 8,635
Investments	<u>17,778</u>	<u>0</u>
Total Assets	<u>17,778</u>	<u>8,635</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies	<u>0</u>	<u>8,635</u>
Total Liabilities	<u>0</u>	<u>8,635</u>
Net Assets:		
Held in Trust for Scholarships	<u>17,778</u>	<u>0</u>
Total Net Assets	<u>\$ 17,778</u>	<u>\$ 0</u>

See Accompanying Notes to the Basic Financial Statements

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005**

		<u>Private Purpose Trust</u>
Additions:		
Interest	\$	295
Miscellaneous		<u>614</u>
Total Additions		<u>909</u>
Deductions:		
Payments in Accordance with Trust Agreements		<u>1,500</u>
Total Deductions		<u>1,500</u>
Change in Net Assets		(591)
Net Assets Beginning of Year		<u>18,369</u>
Net Assets End of Year	\$	<u><u>17,778</u></u>

See Accompanying Notes to the Basic Financial Statements

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**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. Description of the District and Reporting Entity

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

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the District's three instructional/support facilities staffed by 50 classified employees, 83 certificated teaching personnel, and 5 administrators, who provide services to 896 students and other community members.

On January 31, 2001 the District was declared to be in a state of "Fiscal Emergency" by the Auditor of State due to the District's declining financial condition. In accordance with the State Statute, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the District. The Commission is composed of the State Director of the Office of Budget and Management, the State Superintendent of Public Instruction, a resident/business owner within the District appointed by the Athens County Auditor, a local businessperson appointed by the State Superintendent of Public Instruction. The Commission's primary charge is to develop, adopt, and implement a financial recovery plan. The Commission accordingly adopted the District Plan on June 22, 2001. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the District must be in accordance with the Plan. Effective June 9, 2005, the District was removed from "Fiscal Emergency."

Reporting Entity

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

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

The District participates in the Southeast Ohio Voluntary Education Consortium, the Tri-County Career Center, the Coalition of Rural and Appalachian Schools, and the South Eastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Sheakley Uniservice Workers' Compensation Group Rating Program and the Metropolitan Education Council's Property and Casualty Insurance Program, which are defined as insurance purchasing pools. These organizations are discussed in Note 15 and 16.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

General Fund - The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

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

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$3,009, which includes \$1 assigned from other District funds.

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

F. Restricted Assets

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

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

J. Interfund Transactions

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

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

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

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

N. Interfund Balances

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

O. Estimates

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

P. Designated Fund Balance

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

Q. Net Assets

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

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

R. Extraordinary and Special Items

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

S. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund, function, object level.

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

S. Budgetary Process (Continued)

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

3. Budgetary Basis of Accounting

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements.

Net Change in Fund Balance	
Major Governmental Fund – General Fund	
GAAP Basis	(\$46,895)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	33,768
Accrued FY 2005, Not Yet Received in Cash	(192,190)
Unreported Cash	129
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(700,633)
Accrued FY 2005, Not Yet Paid in Cash	757,217
Advances Net	426
Encumbrances Outstanding at Year End (Budget Basis)	(7,676)
Budget Basis	<u><u>(\$155,854)</u></u>

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

4. Deposits and Investments

Monies held by the District are classified by State statute into three categories.

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

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

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

4. Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$434,506 of the District's bank balance of \$569,118 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2005, the District had \$14,771 invested in STAROhio.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk - STAROhio carries a rating of AAA by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The District's investment policy allows the eligible securities as described in the Ohio Revised Code.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the District or not.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

4. Deposits and Investments (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$513,191	
Investments:		
STAR Ohio	(14,771)	\$14,771
GASB Statement 3	\$498,420	\$14,771

5. Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Athens and Morgan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

5. Property Taxes (Continued)

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlements of manufactured home and personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The late settlements and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2005, was \$16,368 in the General Fund and \$4,030 in the Bond Retirement Fund. The amount available as an advance at June 30, 2004, was \$15,908 in the General Fund and \$3,916 in the Bond Retirement Fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$30,161,480	84%	\$30,542,080	85%
Public Utility Tangible Personal Property	3,301,020	9%	3,222,310	9%
Tangible Personal Property	2,537,798	7%	2,041,520	6%
Total	<u>\$36,000,298</u>	<u>100%</u>	<u>\$35,805,910</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$32.92		\$32.92	

6. Receivables

Receivables at June 30, 2005, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
General	\$1,022
Food Service	5,922
Local Government	576
EMIS	1,000
Title VI-B Idea	34,539
Title I	92,959
Innovative Programs	621
Drug Free Schools	1,797
Handicapped Preschool	3,962
Title II-A	16,836
Miscellaneous	3,302
Total	<u>\$162,536</u>

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

7. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/05</u>
Capital Assets:				
Nondepreciable Capital Assets:				
Land	\$55,370			\$55,370
Depreciable Capital Assets:				
Land Improvements	638,185			638,185
Buildings and Improvements	20,793,986			20,793,986
Furniture, Fixtures, and Equipment	1,754,941	\$60,375	\$75,800	1,739,516
Vehicles	731,364	85,192		816,556
Total Depreciable Capital Assets	<u>23,918,476</u>	<u>145,567</u>	<u>75,800</u>	<u>23,988,243</u>
Less Accumulated Depreciation:				
Land Improvements	325,293	121,620		446,913
Buildings and Improvements	4,761,359	321,833		5,083,192
Furniture and Equipment	1,112,337	124,121	75,700	1,160,758
Vehicles	523,680	61,999		585,679
Total Accumulated Depreciation	<u>6,722,669</u>	<u>629,573</u>	<u>75,700</u>	<u>7,276,542</u>
Depreciable Capital Assets, Net	<u>17,195,807</u>	<u>(484,006)</u>	<u>100</u>	<u>16,711,701</u>
Capital Assets, Net	<u>\$17,251,177</u>	<u>(\$484,006)</u>	<u>\$100</u>	<u>\$16,767,071</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$43,979
Special	15,039
Vocational	2,240
Support Services:	
Pupil	1,292
Instructional Staff	24,732
Administration	7,045
Fiscal	1,403
Operation and Maintenance of Plant	7,442
Pupil Transportation	59,303
Operation of Non-Instructional Services	13,703
Extracurricular Activities	751
Capital Outlay	452,644
Total Depreciation Expense	<u>\$629,573</u>

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other school districts in Ohio to participate in the Metropolitan Education Council Liability, Fleet, and Property Program, a public entity insurance purchasing pool. Each individual school district enters into an agreement with the Metropolitan Education Council and its premium is based on types of coverage, limits of coverage, and deductibles that is selects. The District pays this annual premium to the Metropolitan Education Council (Note 16).

The types and amounts of coverage provided by the Metropolitan Education Council are as follows:

<u>Property</u>	<u>Deductible</u>	<u>Limits of Coverage</u>
General Liability:		
Each Occurrence	\$1,000	\$6,000,000
Aggregate Limit		8,000,000
Self-Insured Retention		100,000
Educator's Legal Liability		1,000,000
Employment Practices	15,000	
All Other	5,000	
Property District Values by Statement	1,000	250,000,000
Self-Insured Retention		100,000
Boiler and Machinery	2,500	50,000,000
Crime	1,000	500,000
Self-Insured Retention		100,000
Fleet		6,000,000
Physical Damage	1,000	
Self-Insured Retention		100,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2005.

9. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website, www.ohsers.org, under forms and publications.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

9. Defined Benefit Pension Plans (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which is currently 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$144,812, \$112,244 and \$114,269 respectively; 51 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

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

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

9. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$533,240, \$503,768, and \$527,049 respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$7,712 made by the District and \$3,617 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. Postemployment Benefits

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. For the District, this amount equaled \$41,018 during fiscal year 2005.

The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004 (the latest information available). For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

10. Postemployment Benefits (Continued)

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated net claims.

The number of participants currently receiving health care benefits is approximately 58,123.

11. Employee Benefits

A. Compensated Absences

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

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

11. Employee Benefits

B. Insurance Benefits

The District provides health and major medical insurance for all eligible employees. The District pays 92.5 percent of the total monthly premiums of \$1,194 for family coverage and \$447 for single coverage. Premiums are paid from the same funds that pay the employees' salaries. The District also provides prescription drug insurance to its employees through Anthem Blue Cross/Blue Shield. This plan utilizes a \$5 per generic prescription and \$12 per brand name prescription deductible.

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

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

12. Fund Obligation

Changes in the fund obligation of the District during fiscal year 2005 were as follows:

	Outstanding 06/30/04	Additions	Deductions	Outstanding 06/30/05
State Solvency Advance - 0%	\$189,500		\$189,500	

13. Capitalized Leases

In previous fiscal years, the District has entered into lease agreements for copiers. These lease obligations 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 debt service expenditures in the fund financial statements. Principal payments in fiscal year 2005 totaled \$30,603 in the governmental funds. The capital leases payable have been recorded on the government-wide statements. The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Amount
2006	\$32,675
2007	32,675
2008	32,675
2009	32,674
2010	19,060
Total	149,759
Less: Amount Representing Interest	(13,556)
Present Value of Net Minimum Lease Payments	\$136,203

The equipment has been capitalized in the amount of \$147,356, the present value of the minimum lease payments at the inception of the lease. The accumulated depreciation as of June 30, 2005, was \$14,736, leaving a remaining book value of \$132,620.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

14. Long-Term Obligations

Changes in long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/04	Additions	Deductions	Balance at 6/30/05	Due Within One Year
Governmental Activities:					
2000 6.322% Classroom Facilities Bonds	\$855,000	\$0	\$25,000	\$830,000	\$25,000
1985 9.75% School Facilities Bonds	270,000	0	45,000	225,000	45,000
Total General Obligation Bonds	<u>1,125,000</u>	<u>0</u>	<u>70,000</u>	<u>1,055,000</u>	<u>70,000</u>
Capital Leases	52,359	147,356	63,512	136,203	27,561
Compensated Absences	560,460	648,642	560,460	648,642	0
Total Governmental Activities Long-Term Obligations	<u>\$1,737,819</u>	<u>\$795,998</u>	<u>\$693,972</u>	<u>\$1,839,845</u>	<u>\$97,561</u>

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

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

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$70,000	\$72,298	\$142,298
2007	75,000	66,451	141,451
2008	75,000	60,451	135,451
2009	75,000	54,436	129,436
2010	80,000	48,269	128,269
2011-2015	195,000	197,503	392,503
2016-2020	275,000	119,306	394,306
2021-2023	210,000	21,937	231,937
Total	<u>\$1,055,000</u>	<u>\$640,651</u>	<u>\$1,695,651</u>

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

14. Long-Term Obligations (Continued)

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

The District's overall legal debt margin was \$2,167,532, with an unvoted debt margin of \$358,059 at June 30, 2005.

15. Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

The Southeast Ohio Voluntary Education Consortium (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The District paid SEOVEC \$14,383 for services provided during the fiscal year. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

B. Tri-County Career Center

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

C. Coalition of Rural and Appalachian Schools

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

D. South Eastern Ohio Special Education Regional Resource Center

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

15. Jointly Governed Organizations (Continued)

D. South Eastern Ohio Special Education Regional Resource Center (Continued)

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

16. Insurance Purchasing Pool

A. Sheakley Workers' Compensation Group Rating Program

The District is a member of the Sheakley Workers' Compensation Group Rating Program established in April 2004. The program was created by the Ohio Association of School Business Officials as a result of the Workers' Compensation group rating plan as defined in section 4123.29, of the Ohio Revised Code. The group-rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

B. Metropolitan Education Council

The District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio, 43232.

17. Interfund Activity and Balances

A. Transfers

Transfers made during fiscal year 2005 were as follows:

Transfer from	Transfer to Other Nonmajor Governmental
<u>General Fund</u>	<u>\$48,182</u>

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

17. Interfund Activity and Balances (Continued)

B. Interfund Balances

Interfund Balances at June 30, 2005, consisted of the following for services provided by the General Fund:

	Interfund Receivables	Interfund Payables
General Fund	\$2,038	
Special Revenue Funds:		
Athletics		\$233
Local Grants		576
Title VI-B		1,229
Total All Funds	\$2,038	\$2,038

18. Contingencies

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

The District is currently a party to legal proceedings.

19. Set-Aside Calculations

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the District was required to set-aside money for budget stabilization.

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

19. Set-Aside Calculations (Continued)

	Textbooks	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2004	\$26,276	(\$1,066,397)
Current Year Set-aside Requirement	114,819	114,819
Current Year Offsets	(110)	(199,567)
Qualifying Disbursements	(152,641)	(86,160)
Totals	(\$11,656)	(\$1,237,305)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$11,656)	(\$1,237,305)
Set-Aside Reserve Balance as of June 30, 2005	\$0	\$0

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

20. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

21. Fund Deficits

The following funds had deficit fund balances at June 30, 2005:

	Deficit
General Fund	\$677,055
Special Revenue Funds:	
Food Service	47,978
Disadvantaged Pupil Impact Aid	87,757
Title VI-B	10,814
Title V	91
Miscellaneous Federal	1,498

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

22. Change in Accounting Principle

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 36,567	\$	\$ 36,567
School Breakfast Program	10.553	05PU-2004 05PU-2005	10,112 52,252		10,112 52,252	
Total School Breakfast Program			62,364	0	62,364	0
National School Lunch Program	10.555	LLP4-2004 LLP4-2005	25,100 154,910		25,100 154,910	
Total National School Lunch Program			180,010	0	180,010	0
Total Nutrition Cluster			242,374	36,567	242,374	36,567
Fresh Fruit and Vegetable Program	10.582	VGS1-2005	43,947		43,947	
Total United States Department of Agriculture			286,321	36,567	286,321	36,567
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2004 C1S1-2005	35,554 483,929		63,671 455,298	
Total Title I Grants to Local Educational Agencies			519,483	0	518,969	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6BSD-2004 6BSD-2005 6BSF-2004 6BSF-2005	- 23,354 32,691 259,426		4,100 23,302 38,245 248,541	
Total Special Education - Grants to States			315,471	0	314,188	0
Special Education - Preschool Grants	84.173	PGSI-2004 PGS1-2005	1,967 8,377		2,555 7,712	
Total Special Education - Preschool Grants			10,344	0	10,267	0
Total Special Education Cluster			325,815	0	324,455	0
Safe and Drug-Free Schools and Communities	84.186	DRS1-2004 DRS1-2005	2,201 10,933		0 10,581	
Total Safe and Drug-Free Schools and Communities			13,134	0	10,581	0
Innovative Education Program Strategies	84.298	C2S1-2004 C2S1-2005	3,648 4,377		3,786 4,291	
Total Innovative Education Program Strategies			8,025	0	8,077	0
Education Technology State Grants	84.318	TJS1-2004 TJS1-2005	(82) 7,870		1,648 7,440	
Total Education Technology State Grants			7,788	0	9,088	0
Comprehensive School Reform Demonstration Grants	84.332	RFCC-2005 RFS2-2003 RSF3-2004	11,417 32,296 65,348		10,711 42,339 61,793	
Total Comprehensive School Reform Demonstration Grants			109,061	0	114,843	0
Rural Education	84.358	RUS1-2004 RUS1-2005	(2,447) 29,888		0 28,348	
Total Rural Education			27,441	0	28,348	0
Improving Teacher Quality Grants	84.367	TRS1-2004 TRS1-2005	10,642 111,199		15,595 104,116	
Total Improving Teacher Quality Grants			121,841	0	119,711	0
Total United States Department of Education			1,132,588	0	1,134,072	0
Total Federal Awards Receipts and Expenditures			\$ 1,418,909	\$ 36,567	\$ 1,420,393	\$ 36,567

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

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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

NOTE C – TRANSFERS AND REFUNDS

During 2005, the Ohio Department of Education (ODE) authorized the School District to transfer unneeded funds to other grants as well as carryover monies from the prior fiscal year to the current fiscal year. Authorized transfers and carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers and refunds are as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1-S1-04	\$ 27,020	
84.010	Title I Grants to Local Educational Agencies	C1-S1-05		\$ 27,020
84.186	Safe and Drug-Free Schools and Communities	DR-S1-04	825	
84.186	Safe and Drug-Free Schools and Communities	DR-S1-05		825
84.318	Education Technology State Grants	TJ-S1-04	82	
84.318	Education Technology State Grants	TJ-S1-05		82
84.358	Rural Education	RU-S1-04	2,447	
84.358	Rural Education	RU-S1-05		2,447
84.367	Improving Teacher Quality Grants	TR-S1-04	2,447	
84.367	Improving Teacher Quality Grants	TR-S1-05		2,447
			<u>\$ 32,821</u>	<u>\$ 32,821</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble Local School District, Athens County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 4, 2006, wherein we noted the District adopted Governmental Accounting Standards Board Statement 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated April 4, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance which we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 4, 2006, we reported other matters related to noncompliance we deemed immaterial.

Trimble Local School District
Athens County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 4, 2006



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the compliance of Trimble Local School District, Athens County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

Trimble Local School District
Athens County
Independent Accountants' Report on Compliance with Requirements Applicable
To Each Major Federal Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

Our consideration of the internal controls over compliance would not necessarily disclose all matters in the internal controls that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 4, 2006

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**TRIMBLE LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 1, 2006**