

Slippery Rock Area School District

**Fiscal Year 2000-01
Annual Disclosure Information**

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and the Business Manager and is submitted to the School Board for approval prior to the beginning of the fiscal year.

Financial Reporting

The School District uses a modified accrual basis of accounting for all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). The District considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The School District uses an accrual basis of accounting for proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The School District's financial statements are audited annually by an independent certified public accountants. McGill, Power, Bell & Associates, LLP, Certified Public Accountants, Grove City, Pennsylvania has served as School District auditor.

Summary and Discussion of Financial Results

A summary of General Fund balance sheet and changes in fund balances are presented in Tables 3 and 4 which follow. The budget for 2001-02, as adopted July 3, 2001, budgeted revenues of \$20,230,430. Total expenditures were estimated at \$20,437,872 including \$300,000 for budgetary reserve which the School District does not anticipate expending. The beginning fund balance for 2001-02 was \$1,092,558.

Table 3 shows General Fund Balance Sheet for the past 4 years. Tables 4 and 5 show revenues and expenditures for the past 3 fiscal years, as well as the 2002 Budget.

TABLE 3
SLIPPERY ROCK AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(YEARS ENDED JUNE 30)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Assets:				
Cash and Cash Equivalents	\$817	\$3,053,805	\$1,794,646	\$1,725,410
Investments (at cost)	2,019,809	30,493		
Receivables:				
Taxes	718,033	636,106	432,225	461,227
Interfund	781,969	54,937	832,477	595,338
Intergovernmental	367,198	271,076	158,780	314,679
Other	<u>853</u>	<u>1,200</u>	<u>190,320</u>	<u>103,679</u>
Total Assets	<u>\$3,888,679</u>	<u>\$4,047,617</u>	<u>\$3,408,448</u>	<u>\$3,200,257</u>
Liabilities:				
Payables:				
Interfund	\$28,397	\$299,849	\$109,890	\$71,481
Account	472,952	287,220	154,787	227,079
Accrued Salaries and Benefits	1,395,870	1,500,432	1,498,956	1,411,398
Deferred Revenues	432,786	460,148	432,225	461,227
Other Current Liabilities	<u>18,410</u>	<u>1,000</u>	<u>1,157</u>	<u>1,000</u>
Total Liabilities	<u>\$2,348,415</u>	<u>\$2,548,649</u>	<u>\$2,197,015</u>	<u>\$2,172,185</u>
Fund Equity:				
Unreserved Fund Balance	1,540,265	1,498,968	1,211,433	1,028,072
Total Fund Equity	<u>\$1,540,265</u>	<u>\$1,498,968</u>	<u>\$1,211,433</u>	<u>\$1,028,072</u>
Total Liabilities and Fund Equity	<u>\$3,888,680</u>	<u>\$4,047,617</u>	<u>\$3,408,448</u>	<u>\$3,200,257</u>

Source: School District Annual Financial Reports

TABLE 4
SLIPPERY ROCK AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE
(YEARS ENDED JUNE 30)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002 Budget</u>
General Fund:					
Beginning Fund Balance	\$1,619,135	\$1,540,264	\$1,278,846	\$1,263,411	\$1,300,000
Revenue and Other Financing Sources	17,837,181	17,649,829	18,643,659	19,056,840	20,230,430
Expenditures and Other Financing Uses	17,916,052	17,691,126	18,711,073	19,292,179	20,437,872
Period Adjustment (1)	0	220,121	51,982		0
Ending Fund Balance	<u>\$1,540,264</u>	<u>\$1,278,846</u>	<u>\$1,263,414</u>	<u>\$1,028,072</u>	<u>\$1,092,558</u>

Revenue

The School District received \$18,643,659 in revenue in 1999-00 and has budgeted for \$20,230,430 in 2001-02. In 1999-00, local sources contributed 44.3 percent, state sources contributed 52.4 percent and federal and other sources contributed less than 3.3 percent of total revenue.

Tax Powers

The School District is empowered by the Pennsylvania Public School Code of 1949, as amended, and other statutes to levy the following taxes:

1. An ad valorem tax on all property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on all property taxable for school purposes to provide funds for:
 - (a) minimum salaries and increments for the teaching and supervisory staff;
 - (b) rentals due any municipality, authority, or non-profit corporation, or due the State Public School Building Authority;
 - (c) interest and principal on any indebtedness incurred under the Act or any prior or subsequent act governing the incurrence of indebtedness of the School District; and
 - (d) amortization of bonds to finance construction of school facilities, if issued prior to the first Monday in July, 1959.
3. An annual per capita tax on each resident over eighteen years old of not less than \$1.00 and not more than \$10.00.

4. Additional taxes levied under the Local Tax Enabling Act (Act 511 of 1965), including per capita, wage and other earned income, real estate transfer, gross receipts and occupation taxes, subject to sharing with other political subdivisions authorized to levy similar taxes on the same person, property, transaction or income. A school district cannot levy these taxes in an amount which exceeds the equivalent of 12 mills on the market value of taxable real estate (such market value to be certified by the State Tax Equalization Board).

Proposed Legislation Affecting Local Taxing Powers

Under Act No. 1998-50, signed May 5, 1998 (hereinafter "Act 50"), school districts are granted the option to levy an earned income and net profits tax of up to 1.5% to replace certain occupation, occupational privilege, per capita and other "nuisance" taxes authorized under Act 511 of 1965 and the Public School Code as well to reduce real property taxes through a homestead (and farmstead) exclusion and a reduction in the real estate millage rate. No earned income and net profits tax may be imposed under the provisions of Act 50, however, unless approved by voter referendum. If the board of school directors does not place such a referendum on the ballot by November, 2000, Act 50 provides for such a referendum to be placed on the ballot in a subsequent year upon petition of at least 5% of the voters. Of the 501 school districts in Pennsylvania, there have been three referendums held. Two referendums have passed and one failed. If the School District would hold a referendum, it would be difficult to predict the outcome of such referendum.

If an earned income and net profits tax is implemented under Act 50, the school district may not increase the rate of its tax on real property without the approval of the voters in a referendum (a so-called "back-end referendum"), unless the rate increase can be certified as not causing local school tax revenue (excluding taxes levied on newly constructed buildings or improvements to existing buildings) to increase by more than the percentage increase in the statewide average weekly wage in the preceding year. Act 50 provides exceptions to the back-end referendum for real property tax increases that are necessary to fund the response to a declared emergency or disaster, to implement a court or administrative orders, to pay interest and principal on indebtedness incurred under the Local Government Unit Debt Act (but no new debt may be incurred under this exception for purposes other than refinancing), to respond to conditions posing an immediate threat of physical harm, to special purpose tax levies approved by the voters, and to maintain per-student local tax revenue, adjusted by the percentage increase in the statewide average weekly wage, in a school district experiencing rapid student enrollment growth (as defined by Act 50).

Until a school district implements the earned income and net profits tax authorized by Act 50, with the approval of the voters in a referendum, the school district retains the taxing powers granted by Act 511 of 1965 and the Public School Code, but certain restrictions have been placed by Act 50 upon the levy of amusement taxes, sign privilege taxes and motor vehicle transfer taxes, irrespective of whether a school district implements the earned income and net profits tax authorized by Act 50.

A school district's power to levy and collect real estate transfer taxes or business and mercantile privilege taxes on gross receipts is unaffected by Act 50.

TABLE 5
SLIPPERY ROCK AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ended June 30)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002 Budget</u>
Revenues:					
Local Sources	\$7,748,834	\$7,986,868	\$8,250,278	\$8,480,117	\$9,101,882
State Sources	9,361,940	9,576,453	9,731,263	9,983,005	10,381,890
Federal Sources	12,909	11,491	41,075	76,128	74,458
Other Financing Sources	713,498	75,017	621,043	517,590	672,200
Total Revenues and Other Financing Sources	<u>\$17,837,181</u>	<u>\$17,649,829</u>	<u>\$18,643,659</u>	<u>\$19,056,840</u>	<u>\$20,230,430</u>
Expenditures:					
Instruction	\$10,505,966	\$10,441,805	\$10,909,320	\$10,944,860	\$11,489,534
Support Services	5,237,468	5,230,834	5,446,502	5,458,130	5,740,692
Noninstructional Services	219,676	201,087	218,905	252,413	285,311
Other Financing Uses	1,952,942	1,817,400	337,200	370,738	185,000
Debt Service	0	0	1,799,146	2,266,038	2,437,335
Budgetary Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>300,000</u>
Total Expenditures and Other Financing Uses	<u>\$17,916,052</u>	<u>\$17,691,126</u>	<u>\$18,711,073</u>	<u>\$19,292,179</u>	<u>\$20,437,872</u>
Excess of Revenues Over (Under) Expenditures	(\$78,871)	(\$41,297)	(\$67,414)	(\$235,339)	(\$207,442)
Period Adjustment	0	(\$220,121)	\$0	\$51,979	\$0
Fund Balance, July 1	1,619,135	1,540,264	1,278,846	\$1,263,411	\$1,300,000
Fund Balance, June 30	<u>\$1,540,264</u>	<u>\$1,278,264</u>	<u>\$1,211,432</u>	<u>\$1,028,072</u>	<u>\$1,092,558</u>

*Totals may not add due to rounding

Source: School District Annual Financial Reports and 2002 Budget

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the Townships, Boroughs and Butler County.

TABLE 6
SLIPPERY ROCK AREA SCHOOL DISTRICT TAX RATES

<u>Year</u>	<u>Real Estate</u>	<u>Per Capita</u> ¹	<u>Earned Income</u> ²	<u>Real Estate Transfer</u> ²
1993-94	80.80	10.00	1.0%	1.0%
1994-95	80.80	10.00	1.0%	1.0%
1995-96	80.80	10.00	1.0%	1.0%
1996-97	80.30	10.00	1.0%	1.0%
1997-98	82.00	10.00	1.0%	1.0%
1998-99	82.00	10.00	1.0%	1.0%
1999-00	82.00	10.00	1.0%	1.0%
2000-01	83.00	10.00	1.0%	1.0%
2001-02	87.50	10.00	1.0%	1.0%

¹\$5.00 under the School Code and \$5.00 under Act 511.

²Subject to sharing with municipalities providing they levy the tax.

Source: School District Officials.

TABLE 7
SLIPPERY ROCK AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
School District	82.00	82.00	82.00	83.00	87.50
Brady Township	4.20	4.20	4.20	4.20	4.20
Franklin Township	5.00	5.00	5.00	5.00	5.00
Harrisville Borough	11.00	14.00	14.00	14.00	14.00
Mercer Township	3.20	5.00	5.00	5.00	5.00
Muddycreek Township	2.00	2.00	2.00	2.00	2.00
Portersville Borough	3.70	3.70	3.70	3.70	3.70
Prospect Borough	2.25	2.25	2.25	2.25	2.25
Slippery Rock Borough	20.50	20.50	20.50	20.50	20.50
Slippery Rock Township	3.00	3.00	3.00	3.00	3.00
West Liberty Borough	5.00	7.00	7.00	7.00	7.00
Worth Township	3.73	3.73	3.73	3.73	3.73
Butler County	17.50	17.50	17.50	17.50	21.50

Source: Butler County Assessment Office

Real Property Tax

The real property tax (excluding delinquent collections) produced \$6,138,202 in 2000-01, approximately 31.5% percent of revenue. The bills are dated August 1 and taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to November 30 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data.

TABLE 8
SLIPPERY ROCK AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

<u>Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Ratio</u>
1995-96	\$378,002,100	\$71,564,091	18.93%
1996-97	388,028,200	73,126,889	18.85%
1997-98	430,698,500	75,306,019	17.48%
1998-99	443,424,000	77,170,046	17.40%
1999-00	496,144,900	79,274,741	15.98%

Source: Pennsylvania State Tax Equalization Board

TABLE 9
SLIPPERY ROCK AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	<u>1999</u> <u>Market Value</u>	<u>1999</u> <u>Assessed Value</u>	<u>2000</u> <u>Market Value</u>	<u>2000</u> <u>Assessed Value</u>
School District	\$443,424,000	\$77,170,046	\$496,144,900	\$79,274,741
Brady Township	30,621,100	5,338,024	34,947,900	5,574,728
Franklin Township	76,925,100	13,297,253	86,635,600	13,453,049
Harrisville Borough	16,685,600	3,493,221	18,629,800	3,530,481
Mercer Township	22,609,600	4,743,513	25,763,600	4,905,647
Muddycreek Township	72,618,100	10,254,205	79,891,200	10,614,888
Portersville Borough	8,701,000	1,557,912	9,364,600	1,588,438
Prospect Borough	27,472,400	4,698,991	33,467,600	4,943,248
Slippery Rock Borough	51,414,000	10,421,776	55,251,700	10,528,764
Slippery Rock Township	90,022,100	15,214,366	98,506,800	15,775,553
West Liberty Borough	7,287,400	1,420,947	8,709,500	1,477,082
Worth Township	39,067,600	6,729,838	44,976,800	6,882,863
Butler County	\$5,409,894,800	\$930,133,352	\$6,083,075,900	\$964,517,568

Source: Pennsylvania State Tax Equalization Board

**TABLE 10
SLIPPERY ROCK AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Residential	\$48,969,025	\$50,421,360	\$52,042,623	\$53,300,003	\$54,932,045
Lots	1,740,735	1,790,659	1,769,202	1,773,014	1,715,751
Industrial	298,776	307,724	307,724	307,724	362,181
Commercial	9,371,359	9,666,194	9,901,748	9,901,748	10,096,768
Agricultural	9,987,678	10,296,487	10,622,113	10,622,113	10,886,493
Land	1,183,648	1,210,551	1,210,551	1,251,516	1,267,575
Minerals	12,870	13,238	13,238	13,928	13,928
Total	\$71,564,091	\$73,126,889	\$75,306,019	\$77,170,046	\$79,274,741

**TABLE 11
SLIPPERY ROCK AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

<u>Year</u>	<u>Assessed Value*</u>	<u>Millage Rate</u>	<u>Total Flat Billing</u>	<u>Current Year Collections (July-June)</u>	<u>Current Year Collections as Percent of Total Flat Billing</u>	<u>Total Current Plus Delinquent Collections</u>	<u>Total Collection as Percent of Total Flat Billing</u>
1993-94	\$66,203,773	80.8	\$5,349,264	\$4,902,828	92.45%	\$5,377,532	100.65%
1994-95	68,699,945	80.8	5,550,956	5,109,107	92.04	5,502,022	99.12
1995-96	70,656,564	80.8	5,673,730	5,249,219	92.52	5,754,907	101.43
1996-97	71,998,999	80.3	5,781,520	5,342,163	92.40	5,793,039	100.20
1997-98	74,043,173	80.3	5,930,469	5,458,440	92.04	5,968,270	100.64
1998-99	76,274,793	82.0	6,254,533	5,763,875	92.20	6,273,107	100.30
1999-00	78,313,802	82.0	6,421,731	5,877,484	93.30	6,396,978	99.61
2000-01	79,978,085	83.0	6,638,181	6,138,202	92.47	6,606,108	99.52
2001-02	81,687,718	87.5	7,147,675				

*Butler County's last reassessment was performed in 1969. Taxpayers may elect to recompute the assessed value based on the common level ratio method which can result in a lower assessed value.

Source: School District Officials

The ten largest real property taxpayers, together with 2000 assessed values are shown on Table 12 which follows.

TABLE 12
SLIPPERY ROCK AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 1999-2000

<u>Owner</u>	<u>1999-2000 Assessed Value</u>
Thirty-Fifth Strouss Association	\$328,422
Rock City, Ltd.	299,678
Mercer County Industrial Development Authority	296,505
Slippery Rock Presbyterian Senior Housing Corporation	197,805
Individual	188,843
Individual	156,200
Sidley Inc.	153,646
Lake Arthur Country Club	142,426
Fairview One Property Association	138,788
Individual	135,388

Source: School District Officials

Other Taxes

Under Act 511, the School District projects to collect \$1,179,000 in taxes in 2000-01. Among the taxes authorized by Act 511, only the Real Estate Transfer Tax, Earned Income Tax, and Per Capita Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was approximately \$5,953,739 in 2000.

Real Estate Transfer. The School District levies a tax of one percent of the value of real estate transfers which is shared with the municipality in which the property is located. In 2000-01 the School District's projects to collect portion of this tax yielded \$124,000 or less than 1% percent of total revenue.

Earned Income Tax. A tax of one percent is levied on the earned income of residents which is shared with the municipality in which the resident resides. In 2000-01 the School District's collected portion is projected to be \$970,00 or approximetly 5.00% of total revenue.

Per Capita Taxes. A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the School Code) on each resident over 18 years old yielded a projected amount of \$85,173 in 2000-01, or less than 1% percent of total revenue.

State Aid to School Districts

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil

earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the State. School districts also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

A reimbursement for school building construction is also made. Debt service on the Bonds will be eligible for reimbursement from the State based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Aid Ratio, a function of the market value per weighted average daily membership of the School District relative to that of the State. School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be 43.79 percent. The School District Market Value Aid Ratio is currently 61.23 percent. The product of these two factors for the Bonds is 26.81 percent, which is the percentage of debt service which will be reimbursed by the State.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the School District as of September 1, 2001.

TABLE 13
SLIPPERY ROCK AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of September 1, 2001)

	Outstanding Principal <u>Balance</u>	Project Eligible <u>Percentage</u>	Reimbursable <u>Factor(1)</u>	Principal Amount of Local Effort of Net of Available Funds and <u>Estimated State Aid</u>
Series of 2000 (last maturity 2005)	\$570,000	45.00%	27.55%	\$412,945
Series A of of 2001 (last maturity 2006)	4,420,000	76.97%	47.13%	2,336,910
Series AA of 2001 (last maturity 2009)	4,695,000	62.57%	38.31%	2,896,270
Series AAA of 2001 (last maturity 2015)	9,825,000	43.79%	26.81%	7,190,946
 Total Nonelectoral Debt	 \$19,510,000			 \$12,837,071
 Lease Rental Debt	 <u>37,443</u>			 <u>37,443</u>
 Total Direct Debt	 \$19,547,443			 \$12,874,514

(1) Project eligible percentage multiplied by School District's Market Value Aid Ratio of 61.23%

Table 14 presents the overlapping indebtedness and debt ratios of the School District. Before issuance of the Bonds, the principal amount of direct and overlapping debt of the School District will total \$21,537,965. After adjustment for available funds and estimated State aid, the local effort of direct debt will total \$14,827,593.

TABLE 14
SLIPPERY ROCK AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS
(As of December 31, 2001)

	Principal Amount of Gross Outstanding	Principal Amount of Local Effort or Net of Available Funds and State Aid**
DIRECT DEBT:		
Nonelectoral General Obligation Debt	\$19,510,000	\$12,837,071
Lease Rental Debt	<u>37,443</u>	<u>37,443</u>
Total Direct Debt:	\$19,547,443	\$12,874,514
OVERLAPPING DEBT***		
Butler County, General Obligation Bonds****	\$1,857,986	\$1,857,986
Municipal Bonds and Notes	<u>132,535</u>	<u>132,535</u>
Total Overlapping Debt	1,990,522	1,990,522
 Total Direct and Overlapping Debt	 \$21,537,965	 \$14,827,593
DEBT RATIOS:		
Per Capita (1990)	\$2,126	\$1,464
Percent 2000-01 Assessed Value	27.17%	18.70%
Percent 2000-01 Estimated Market Value	4.34%	2.99%
Percent Direct Debt Retired within 10 years (estimate)	89.72%	88.57%

**Gives effect to current appropriations for payment of debt service, and expected future State reimbursement of School District sinking fund payments based on current Market Value Aid Ratio. See "State Aid to School Districts."

***As of December 31, 2001

****Pro rata 8.22% of \$22,605,694 outstanding.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base." The "Borrowing Base" is calculated as the annual arithmetic average of total "Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Revenues for 1998-99	\$16,869,339
Revenues for 1999-00	17,746,753
Revenues for 2000-01 (Unaudited)	17,779,968
Total Revenues, Past Three Years	\$52,396,058
Annual arithmetic average (Borrowing Base)	<u>\$17,465,353</u>

Under the Act as presently in effect, new nonelectoral debt and new lease rental debt may not be incurred if the net amount of such new nonelectoral debt and/or new lease rental debt plus all outstanding net nonelectoral debt and net lease rental debt would cause total net nonelectoral debt and net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentages to the School District's Borrowing Base produces the following products:

	<u>Legal</u> <u>Limit</u>	<u>Net Debt</u> <u>Outstanding</u>	<u>Remaining</u> <u>Borrowing</u> <u>Capacity</u>
Net Nonelectoral Debt Limit: 225% of Borrowing Base	\$39,297,044	\$12,874,514	\$26,422,530