



**Auditor of State  
Betty Montgomery**



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Swanton Local School District  
Fulton County  
108 N. Main Street  
Swanton, OH 43558-1032

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Swanton Local School District, Fulton County, (the School District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 opinion.

We were not able to obtain sufficient and competent evidence of the valuation of fixed assets in the General Fixed Assets Account Group and the Proprietary Fund Type, nor were we able to satisfy ourselves as to the value of fixed assets by other auditing procedures. Fixed assets represent all of the assets in the General Fixed Asset Account Group and ninety-three percent of the assets in the Proprietary Fund type.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we obtained sufficient and competent evidence regarding fixed assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Swanton Local School District, Fulton County, as of June 30, 2002, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2003, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose 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 30, 2003

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**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	(\$222,744)	\$166,259	\$890,796	\$11,876,699
Receivables:				
Taxes	5,712,947	58,211	1,398,185	379,139
Accounts	8,624	2,733		
Intergovernmental	10,203	1,710		
Accrued Interest				64,646
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	397,840			
Advances to Other Funds	25,000			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Funds for Retirement of General Obligation Debt				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$5,931,870</b>	<b>\$228,913</b>	<b>\$2,288,981</b>	<b>\$12,320,484</b>



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
	\$39,394			\$12,750,404
				7,548,482
				11,357
				11,913
				64,646
\$12,298				12,298
				397,840
				25,000
340,288 (184,668)		\$9,119,469		9,459,757 (184,668)
			\$1,041,189	1,041,189
			18,070,409	18,070,409
<b>\$167,918</b>	<b>\$39,394</b>	<b>\$9,119,469</b>	<b>\$19,111,598</b>	<b>\$49,208,627</b>

(Continued)

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS:</b>				
<b>Liabilities:</b>				
Accounts Payable		\$43,200		
Contracts Payable				\$1,750,939
Accrued Wages and Benefits	\$984,892	36,854		
Compensated Absences Payable	6,409			
Intergovernmental Payable	160,630	8,129		
Deferred Revenue	5,045,062	51,534	\$1,247,792	336,717
Undistributed Monies				
Notes Payable				
Advances From Other Funds				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	6,196,993	139,717	1,247,792	2,087,656
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	114,761	26,455		8,777,230
Reserved for Advances	25,000			
Reserved for Property Taxes	667,885	6,762	150,393	42,422
Reserved for Textbooks and Instructional Materials	327,611			
Reserved for Budget Stabilization	70,229			
Unreserved, Undesignated	(1,470,609)	55,979	890,796	1,413,176
Total Fund Equity and Other Credits	(265,123)	89,196	1,041,189	10,232,828
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$5,931,870</b>	<b>\$228,913</b>	<b>\$2,288,981</b>	<b>\$12,320,484</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$43,200
				\$1,750,939
\$32,954				1,054,700
12,682			\$1,084,196	1,103,287
16,676			79,396	264,831
7,285				6,688,390
	\$24,509			24,509
			2,055,978	2,055,978
25,000				25,000
			220,000	220,000
			15,672,028	15,672,028
94,597	24,509		19,111,598	28,902,862
		\$9,119,469		9,119,469
7,457				7,457
65,864				65,864
				8,918,446
				25,000
				867,462
				327,611
				70,229
	14,885			904,227
73,321	14,885	9,119,469		20,305,765
<b>\$167,918</b>	<b>\$39,394</b>	<b>\$9,119,469</b>	<b>\$19,111,598</b>	<b>\$49,208,627</b>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 20, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$4,966,809	\$508,132
Interest	25,808	
Increase (Decrease) in Fair Value of Investments		
Tuition and Fees	74,089	
Rent	6,838	
Extracurricular Activities		222,283
Gifts and Donations	9,000	37,918
Property and Other Local Taxes	5,072,254	51,639
Miscellaneous	557,010	
Total Revenues	<u>10,711,808</u>	<u>819,972</u>
<b>Expenditures:</b>		
Instruction:		
Regular	5,322,358	114,573
Special	1,233,593	394,878
Vocational	124,930	
Support services:		
Pupils	522,468	63,767
Instructional Staff	520,211	30,670
Board of Education	10,818	
Administration	915,769	7,986
Fiscal	309,555	8,189
Business	439	
Operation and Maintenance of Plant	946,736	
Pupil Transportation	620,905	11,118
Central	61,750	
Non-Instructional Services		210,631
Extracurricular activities	292,568	64,783
Capital Outlay		
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>10,882,100</u>	<u>906,595</u>
Excess of Revenues Over (Under) Expenditures	<u>(170,292)</u>	<u>(86,623)</u>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		
Proceeds from Sale of Bonds		
Proceeds from Sale of Long-Term Notes		
Refund of Prior Year Expenditures	4,119	
Operating Transfers Out	(25,000)	
Total Other Financing Sources (Uses)	<u>(20,881)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(191,173)	(86,623)
Fund Balance at Beginning of Year	<u>(73,950)</u>	<u>175,819</u>
<b>Fund Balance at End of Year</b>	<u><b>(\$265,123)</b></u>	<u><b>\$89,196</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$136,664	\$65,929		\$5,677,534
	1,031,370	\$596	1,057,774
	(319,846)		(319,846)
			74,089
			6,838
			222,283
			46,918
1,230,592	326,258		6,680,743
		12,649	569,659
<u>1,367,256</u>	<u>1,103,711</u>	<u>13,245</u>	<u>14,015,992</u>
			5,436,931
			1,628,471
			124,930
			586,235
	(2,573)		548,308
	27,093		37,911
	33,887		957,642
16,029	4,272		338,045
			439
			946,736
			632,023
			61,750
		12,472	223,103
			357,351
	8,555,581		8,555,581
482,674			482,674
729,008	557,129		1,286,137
<u>1,227,711</u>	<u>9,175,389</u>	<u>12,472</u>	<u>22,204,267</u>
<u>139,545</u>	<u>(8,071,678)</u>	<u>773</u>	<u>(8,188,275)</u>
95,317			95,317
	5,215		5,215
	2,000,000		2,000,000
			4,119
	(95,317)		(120,317)
<u>95,317</u>	<u>1,909,898</u>		<u>1,984,334</u>
234,862	(6,161,780)	773	(6,203,941)
806,327	16,394,608	14,112	17,316,916
<u>\$1,041,189</u>	<u>\$10,232,828</u>	<u>\$14,885</u>	<u>\$11,112,975</u>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$4,599,915	\$4,959,284	\$359,369
Interest	105,000	29,261	(75,739)
Tuition and Fees	85,985	74,088	(11,897)
Rent	12,500	6,838	(5,662)
Extracurricular Activities			
Gifts and Donations	25,100	9,000	(16,100)
Property and Other Local Taxes	5,147,000	5,100,211	(46,789)
Miscellaneous	110,660	548,386	437,726
Total Revenues	<u>10,086,160</u>	<u>10,727,068</u>	<u>640,908</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	5,353,853	5,435,231	(81,378)
Special	1,252,269	1,257,436	(5,167)
Vocational	135,723	127,520	8,203
Other	2,418		2,418
Support services:			
Pupils	489,973	519,869	(29,896)
Instructional Staff	432,628	514,329	(81,701)
Board of Education	12,467	10,818	1,649
Administration	907,672	920,439	(12,767)
Fiscal	288,392	310,722	(22,330)
Business	2,361	439	1,922
Operation and Maintenance of Plant	1,008,772	959,837	48,935
Pupil Transportation	674,931	672,835	2,096
Central	97,641	61,750	35,891
Non-Instructional Services			
Extracurricular activities	276,769	291,192	(14,423)
Capital Outlay			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>10,935,869</u>	<u>11,082,417</u>	<u>(146,548)</u>
Excess of Revenues Over (Under) Expenditures	<u>(849,709)</u>	<u>(355,349)</u>	<u>494,360</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Bonds			
Proceeds from Sale of Long-Term Notes			
Refund of Prior Year Expenditures	5,000	4,119	(881)
Operating Transfers Out	(33,919)	(25,000)	8,919
Total Other Financing Sources (Uses)	<u>(28,919)</u>	<u>(20,881)</u>	<u>8,038</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(878,628)</u>	<u>(376,230)</u>	<u>502,398</u>
Fund Balances at Beginning of Year	345,007	345,007	
Prior Year Encumbrances Appropriated	91,558	91,558	
<b>Fund Balance at End of Year</b>	<u><u>(\$442,063)</u></u>	<u><u>\$60,335</u></u>	<u><u>\$502,398</u></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$371,632	\$399,586	\$27,954	\$100,000	\$136,663	\$36,663
214,453	220,988	6,535			
31,050	37,918	6,868			
51,750	53,671	1,921	1,494,565	1,232,599	(261,966)
668,885	712,163	43,278	1,594,565	1,369,262	(225,303)
137,787	117,853	19,934			
211,460	312,251	(100,791)			
446		446			
16		16			
8,633	30,113	(21,480)			
44,447	47,520	(3,073)			
4,625	8,189	(3,564)	7,701	16,028	(8,327)
9,507	11,175	(1,668)			
234,404	216,920	17,484			
73,298	66,321	6,977			
			95,977	482,674	(386,697)
			23,741	729,008	(705,267)
724,623	810,342	(85,719)	127,419	1,227,710	(1,100,291)
(55,738)	(98,179)	(42,441)	1,467,146	141,552	(1,325,594)
			18,655,899	95,317	(18,560,582)
			18,655,899	95,317	(18,560,582)
(55,738)	(98,179)	(42,441)	20,123,045	236,869	(19,886,176)
165,466	165,466		653,928	653,928	
25,520	25,520				
<b>\$135,248</b>	<b>\$92,807</b>	<b>(\$42,441)</b>	<b>\$20,776,973</b>	<b>\$890,797</b>	<b>(\$19,886,176)</b>

(Continued)

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Intergovernmental	\$40,000	\$65,929	\$25,929
Interest	911,252	1,270,872	359,620
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Property and Other Local Taxes	342,650	330,699	(11,951)
Miscellaneous			
Total Revenues	<u>1,293,902</u>	<u>1,667,500</u>	<u>373,598</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	2,395	22,426	(20,031)
Board of Education	86,360	27,093	59,267
Administration	33,887	33,887	
Fiscal	3,989	4,273	(284)
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	1,732,407	17,441,040	(15,708,633)
Debt Service			
Debt Service - Principal		18,000,000	(18,000,000)
Debt Service - Interest		557,129	(557,129)
Total Expenditures	<u>1,859,038</u>	<u>36,085,848</u>	<u>(34,226,810)</u>
Excess of Revenues Over (Under) Expenditures	<u>(565,136)</u>	<u>(34,418,348)</u>	<u>(33,853,212)</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Bonds	5,215	5,215	
Proceeds from Sale of Long-Term Notes	2,000,000	2,000,000	
Refund of Prior Year Expenditures			
Operating Transfers Out	(60,660)	(95,317)	(34,657)
Total Other Financing Sources (Uses)	<u>1,944,555</u>	<u>1,909,898</u>	<u>(34,657)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,379,419	(32,508,450)	(33,887,869)
Fund Balances at Beginning of Year	32,647,693	32,647,693	
Prior Year Encumbrances Appropriated	1,268,357	1,268,357	
<b>Fund Balance at End of Year</b>	<b><u>\$35,295,469</u></b>	<b><u>\$1,407,600</u></b>	<b><u>(\$33,887,869)</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$740	\$596	(\$144)	\$5,111,547	\$5,561,462	\$449,915
			1,016,992	1,300,729	283,737
			85,985	74,088	(11,897)
			12,500	6,838	(5,662)
			214,453	220,988	6,535
			56,150	46,918	(9,232)
			7,035,965	6,717,180	(318,785)
12,000	12,649	649	122,660	561,035	438,375
12,740	13,245	505	13,656,252	14,489,238	832,986
			5,491,640	5,553,084	(61,444)
			1,463,729	1,569,687	(105,958)
			136,169	127,520	8,649
			2,418		2,418
			489,989	519,869	(29,880)
			443,656	566,868	(123,212)
			98,827	37,911	60,916
			986,006	1,001,846	(15,840)
			304,707	339,212	(34,505)
			2,361	439	1,922
			1,008,772	959,837	48,935
			684,438	684,010	428
13,210	12,472	738	97,641	61,750	35,891
			247,614	229,392	18,222
			350,067	357,513	(7,446)
			1,732,407	17,441,040	(15,708,633)
			95,977	18,482,674	(18,386,697)
			23,741	1,286,137	(1,262,396)
13,210	12,472	738	13,660,159	49,218,789	(35,558,630)
(470)	773	1,243	(3,907)	(34,729,551)	(34,725,644)
			18,655,899	95,317	(18,560,582)
			5,215	5,215	
			2,000,000	2,000,000	
			5,000	4,119	(881)
			(94,579)	(120,317)	(25,738)
			20,571,535	1,984,334	(18,587,201)
(470)	773	1,243	20,567,628	(32,745,217)	(53,312,845)
14,112	14,112		33,826,206	33,826,206	
			1,385,435	1,385,435	
<b>\$13,642</b>	<b>\$14,885</b>	<b>\$1,243</b>	<b>\$55,779,269</b>	<b>\$2,466,424</b>	<b>(\$53,312,845)</b>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2002**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$258,575
Other Revenue	50,391
	308,966
<b>Operating Expenses</b>	
Salaries	162,875
Fringe Benefits	82,863
Purchased Services	494
Materials and Supplies	176,842
Depreciation	26,005
Other	1,058
	450,137
Operating Loss	(141,171)
<b>Non-Operating Revenues and Expenses</b>	
Federal Donated Commodities	35,074
Federal and State Subsidies	77,215
Loss on Sale of Fixed Assets	(4,486)
Capital Contributions	136,715
	244,518
Income Before Operating Transfers	103,347
Operating Transfers-In	25,000
	128,347
Net Income	128,347
Retained Earnings at Beginning of Year, Restated	(62,483)
	65,864
Retained Earnings at End of Year	65,864
Contributed Capital at Beginning of Year	7,457
	7,457
Contributed Capital at End of Year	7,457
	7,457
<b>Total Fund Equity at End of Year</b>	<b>\$73,321</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Combined Statement of Cash Flows  
Enterprise Funds  
For the Fiscal Year Ended June 30, 2002**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$259,126
Other Cash Receipts	50,390
Cash Payments to Suppliers for Goods and Service	(142,445)
Cash Payments for Contract Services	(493)
Cash Payments for Employee Services	(160,427)
Cash Payments for Employee Benefits	(91,734)
Other Cash Payments	(25,682)
Net Cash Used by Operating Activities	(111,265)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	89,023
Operating Transfer In	25,000
Net Cash Provided by Noncapital Financing Activities	114,023
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(2,758)
Net Cash Used by Capital and Related Financing Activities	(2,758)
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents at Beginning of Year	
<b>Cash and Cash Equivalents at End of Year</b>	
 <b>Reconciliation of Operating Loss to Net Cash Used By Operating Activities</b>	
Operating (Loss)	(\$141,171)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	26,005
Donated Commodities Used During the Year	35,074
(Increase) Decrease in Assets:	
Accounts Receivable	550
Material and Supplies Inventory	(2,188)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	1,701
Intergovernmental Payable	(9,628)
Deferred Revenue	1,512
Accrued Wages and Benefits	1,504
Interfund Payable	(24,624)
Total Adjustments	29,906
<b>Net Cash Used by Operating Activities</b>	<b>(\$111,265)</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

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**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Swanton Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1887 and serves an area of approximately forty-two square miles. It is located in Fulton and Lucas Counties, and includes all of the Village of Swanton and portions of Fulton, Harding, Spencer, Swan Creek, and Swanton Townships. The School District is the 354th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 80 classified employees, 107 certified teaching personnel, and six administrative employees who provide services to 1,582 students and other community members. The School District currently operates four instructional buildings and an administration building.

**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 are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Swanton Local School District, this includes general operations, food service, and student-related activities of the School District.

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

The following is included in the School District's reporting entity:

SAINT RICHARDS CATHOLIC SCHOOL

Within the School District's boundaries, Saint Richards Catholic School is operated through the Toledo Catholic Diocese. Current State legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District.

The School District is associated with five jointly governed organizations, an insurance pool, and a related organization. These organizations are the Northwest Ohio Computer Association, Northern Buckeye Education Council, Joint Recreation Board, the Northwestern Ohio Educational Research Council, Inc., Penta County Career Center, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Swanton Public Library. Information about these organizations is presented in Notes 17, 18, and 19 to the general-purpose financial statements.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Swanton Local School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed by the proprietary fund types.

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 year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, includes property taxes, income 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 income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements included timing requirements, which specify the year when the revenue resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources provided to

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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 this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 the governmental funds.

**B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

*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. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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

*Debt Service Fund* - The funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. According to the governmental accounting principles, the Debt Service fund accounts for the payment of long-term debt for Government Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

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

**Proprietary Fund Type:**

Proprietary funds are used to account for the District's ongoing activities, which are similar to those, found in the private sector. The following is the District's proprietary fund type:

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

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include an expendable trust fund and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the District, except those accounted for in proprietary funds or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the District, except those accounted for in proprietary funds or trust funds.



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**C. Budgetary Process**

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

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

TAX BUDGET

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Fulton County Budget Commission for rate determination.

ESTIMATED RESOURCES

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2002.

APPROPRIATIONS

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function

**SWANTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, two supplemental appropriation resolutions were legally enacted.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund, and reported in the notes to the financial statements for the enterprise funds.

LAPSING OF APPROPRIATIONS

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Investments**

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 records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2002, the School District invested in repurchase agreements, fixed income government bonds, and commercial paper. Repurchase agreements are reported at cost, and the fixed income bonds and commercial paper are reported at fair market value.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2002 was \$25,808, which included \$4,594 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**SWANTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**E. Inventory**

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale, and are expended when used.

**F. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials and to create a reserve for budget stabilization.

**G. Property, Plant and Equipment**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The School District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

**2. Proprietary Funds**

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of five to twenty years.

**H. Interfund Assets/Liabilities**

Long-term interfund loans are classified as "Advances to/from Other Funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**I. 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. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

**SWANTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Long-term loans and bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

**K. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

**L. Fund Balance Reserves**

The School District reserves those portions of fund equity 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 property taxes, textbooks, budget stabilization, advances, and encumbrances.

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 budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**M. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**SWANTON LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

The District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

**Non-Reimbursable Grants**

Special Revenue Funds

- St. Richards Auxiliary Services
- Local Professional Development
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Network Connectivity
- SchoolNet Professional Development
- Ohio Reads
- State Conflict
- Eisenhower
- Title VI-B
- Title I
- Title VI
- Drug Free
- E-Rate
- Continuous Improvement
- Title VI-R
- School to Work

Capital Projects Funds

- Ohio School Net
- Textbook Subsidy
- Power Up
- ADA Grant

**Reimbursable Grants**

General Fund

- Driver Education

Special Revenue Fund

- E-Rate

Enterprise Fund

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 41 percent of the revenues of the School District's governmental fund types during the 2002 fiscal year.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**N. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**O. Use of 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. Total Columns on General Purpose Financial Statements**

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2002, the General fund had a deficit fund balance of \$265,123. The Disadvantaged Pupil Impact Aid Fund, Title I, and Miscellaneous Federal Grants special revenue funds had deficit fund balances of \$116, \$23,954, and \$8,944 respectively. These were created by the application of 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.

**B. Compliance**

The School District did not adhere to budgetary compliance requirements, as follows:

*Filing Requirements* – The Amended Certificate of Estimated Resources and Annual Appropriations Measure were not filed by the required deadline. Also, appropriations have exceeded the total available resources, by significant amounts, for many funds, and the appropriations in the budgetary reports do not agree with appropriations approved by the Board.

*5-Year Forecast* – The textbook and instructional material reserve was not shown, and the actual ending cash balance was overstated on the five-year forecast.

*Textbook and Material Reserve* – The textbook and instructional material reserve was not established as a special cost center within the general fund.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

*Expenditures Exceeding Appropriations* – Expenditures exceeded appropriations in the following funds: General, Building, Holden Jennings Grant, Disadvantage Pupil, Network Connectivity Subsidy, School Net, Ohio Reads, Miscellaneous State Grant, Eisenhower Grant, Title VI, Recreation, Bond Retirement, Permanent Improvement, and School Net Funds.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund are 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 basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, and Public School Preschool special revenue funds are included as part of the reporting entity when preparing financial statements that conform to GAAP.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$376,230)	(\$98,179)	\$236,869	(\$32,508,450)	\$773
Revenue Accruals	(15,261)	107,810	(2,007)	17,993,340	
Expenditure Accruals	85,557	(169,707)		(2,174,838)	
Other Sources/Uses					
Encumbrances	114,761	73,453		10,528,168	
GAAP Basis	<u>(\$191,173)</u>	<u>(\$86,623)</u>	<u>\$234,862</u>	<u>(\$6,161,780)</u>	<u>\$773</u>

**5. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School 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 the Board of Education has identified as not required for use within the current two-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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may 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 the 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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. An investment must mature within five years from



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the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$1,337 in undeposited cash on hand, which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the District's deposits was \$638,398 and the bank balance was \$731,594. Of the bank balance, \$201,500 was covered by federal depository insurance and \$530,094 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. At June 30, 2002, repurchase agreements and treasury securities, category 3 investments, had a carrying amount and fair value of \$12,508,509.

The classification of cash and cash equivalents and investments on the combined balance sheet 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." Reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$13,148,244	
Cash on Hand	(1,337)	
Treasury Securities	(11,381,980)	\$11,381,980
Repurchase Agreements	(1,126,529)	1,126,529
GASB Statement No. 3	\$638,398	\$12,508,509

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second

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half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes for 2002 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 real and tangible personal property taxes for 2002 were levied after April 1, 2002, on the assessed values as of December 31, 2001, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes for 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Fulton and Lucas Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$667,885 in the General Fund, \$6,762 in the Recreation special revenue fund, \$150,393 in the Bond Retirement debt service fund, and \$42,422 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2001, was \$695,842 in the General Fund, \$8,793 in the Recreation special revenue fund, \$152,400 in the Bond Retirement debt service fund, and \$46,863 in the Permanent Improvement capital projects fund.

Accrued property tax receivable also includes amounts for any late tax settlements made by the Counties. For fiscal year 2002, this amount equaled \$105,947 in the General Fund, \$961 in the Recreation special revenue fund, \$20,185 in the Bond Retirement debt service fund, and \$6,489 in the Permanent Improvement capital projects fund. For fiscal year 2001, this amount equaled \$199,516 in the General Fund, \$2,129 in the Recreation special revenue fund, \$38,058 in the Bond Retirement debt service fund, and \$12,242 in the Permanent Improvement capital projects fund.

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The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second-Half Collections		2002 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$109,994,910	67.93%	\$126,669,100	71.59%
Industrial/Commercial	18,836,540	11.63%	20,178,310	11.40%
Public Utility	12,338,890	7.62%	9,915,940	11.41%
Tangible Personal	20,757,401	12.82%	20,178,975	5.60%
Total Assessed Value	<u>\$161,927,741</u>	<u>100.00%</u>	<u>\$176,942,325</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$65.25</u>		<u>\$70.31</u>	

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, accrued interest, and interfund receivables. 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 year guarantee of federal funds. Intergovernmental receivables at June 30, 2002 were \$11,913.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	\$10,203
Special Revenue Fund	1,710
Total	<u>\$11,913</u>

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$340,288
Less Accumulated Depreciation	<u>(184,668)</u>
Net Fixed Assets	<u>\$155,620</u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

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<u>Asset Category</u>	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Land and Improvements	\$704,922	\$405,000		\$1,109,922
Buildings and Improvements	3,564,299			3,564,299
Furniture, Fixtures, and Equipment	2,357,900	37,439	\$124,938	2,270,401
Vehicles	1,199,461	63,974		1,263,435
Text and Library Books	911,412			911,412
Totals	<u>\$8,737,994</u>	<u>\$506,413</u>	<u>\$124,938</u>	<u>\$9,119,469</u>

**9. INTERFUND ASSETS/LIABILITIES**

At June 30, 2002, the General Fund had an advance to other funds and the Food Service enterprise fund had an advance from other funds, in the amount of \$25,000.

**10. RISK MANAGEMENT**

The School 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. During fiscal year 2002, the School District contracted for the following coverage's:

Coverage's provided by Nationwide/Wausau Insurance Companies:

General Liability	
Per Occurrence	\$2,000,000
Total per Year	5,000,000
Fire Damage (per occurrence)	100,000
Medical Expense (per person)	5,000
Umbrella Liability	2,000,000

Coverage's provided by Grange Insurance Company:

Vehicle Liability (combined single limits each accident)	\$1,000,000
Auto Medical Payments	5,000
Uninsured Motorist (combined single limits each accident)	1,000,000

Coverage's provided by CNA Insurance Company:

Building and Contents-replacement cost (\$1,000 deductible)	\$23,661,773
Boiler and Machinery (\$5,000 deductible)	various
Inland Marine Coverage (\$100 deductible)	
Audio/Visual Equipment	94,361
Musical Equipment	139,032
Athletic Equipment	25,000
Electronic Data Processing Equipment	156,740
Crime Coverage (no deductible)	
Inside Premises	2,000
Outside Premises	2,000

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

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For fiscal year 2002, the School District participated in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays the group rate.

**11. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and 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 the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$898,199, \$538,365, and \$130,023, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$140,196, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. 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 (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 5.5 percent 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$248,129, \$138,173, and \$49,357, respectively; 57 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$105,528, is recorded as a liability within the respective funds and the general long-term obligations account group.

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**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001 (latest information available), the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 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. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate was 9.80 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay was established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent 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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (latest information available) were \$161,439,934 and the target level was \$242.2 million. At

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June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.

The number of participants currently receiving health care benefits is approximately 50,000.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components 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 a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56.25 days for all personnel.

**B. Health Care Benefits**

The School District offers medical insurance to most employees. Through May 2002, medical insurance was offered through Anthem Blue Cross and Blue Shield and life insurance through Anthem Life Insurance Company of Indiana. Dental insurance was offered through Coresource through June 2002. Medical, life, and dental insurance, beginning June and July 2002, was partially self-funded through OMERESA Health Benefits Plan.

**C. Early Retirement Incentive**

The School District's Board of Education has approved an Early Retirement Incentive program for SERS employees. Participation is open to those employees who are at least fifty years old, qualify for retirement with the years purchased by the Board, and agree to retire within ninety days after notification that credit has been purchased. The credit cannot exceed one year. Employees wishing to participate in the plan must indicate their desire by submitting an application to the Treasurer no later than January 15. The Board has the option of paying the liability in its entirety or in installments. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ends in June 2002.

The Board has not limited the number of employees participating in the plan in any one year. All payments are made through the payroll process to the credit of the retired employee. Early retirement incentive payments have been reclassified and are reflected as debt service expenditures in the general-purpose financial statements for governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. There were no early retirement incentive payments during fiscal year 2002, and there is no outstanding liability as of June 30, 2002.

**D. Special Termination Benefits**

For STRS employees, a cash incentive of \$15,000 is paid to all members who elect to retire under normal circumstances in the first year they are eligible. The employee has the option of participating with a Board approved annuity company for deferring all or a portion of the incentive payment for tax purposes. The employee may choose to defer the payment until January of the

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following calendar year. To qualify, the employee must have at least fifteen years of service with the School District and must meet all eligibility requirements for retirement under STRS. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ends in September 2002. There is no outstanding liability as of June 30, 2002.

**14. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Interest Rate	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
1998 Fifth Third Loan	5.50%	\$111,955		\$55,977	\$55,978
2001 Energy Conservation Loan	4.60%	245,000		25,000	220,000
1978 Swanton Library Bonds	6.38%	15,000		15,000	
2001 Series Bond Issue	3.0 to 5.25%	15,999,992	\$62,036	390,000	15,672,028
2001B School Improvement Notes	2.95%		2,000,000		2,000,000
Compensated Absences Payable		942,291	141,905		1,084,196
Intergovernmental Payable		61,837	17,559		79,396
Total General Long-Term Obligations		<u>\$17,376,075</u>	<u>\$2,221,500</u>	<u>\$485,977</u>	<u>\$19,111,598</u>

*2001 Series Bond Issue* – On June 1, 2001, the School District issued \$15,999,992 in voted general obligation bonds for buildings and permanent improvements. The bonds were issued for a twenty-five year period with final maturity on December 1, 2026. The bonds are being retired through the Bond Retirement debt service fund.

*2001B School Improvement Notes* - On September 19, 2001, the School District issued \$2,000,000 in School Improvement Notes for the construction of a new high school and renovations to other school facilities. The notes matured on September 18, 2002, and were reissued, in the amount of \$2,000,000 with a maturity date of September 17, 2003. The School Improvement Notes satisfy the conditions of FASB 6 – Classification of Short-Term Obligations Expected to be Refinanced, and are classified as part of the General Long-Term Obligation Account Group.

*1998 Fifth Third Loan* - On June 16, 1998, the School District entered into a loan agreement with Fifth Third Bank to finance the construction of new bleachers for the football stadium. The loan, in the amount of \$279,886, is payable annually over a five year period, with the final maturity on December 1, 2002. The loan is being repaid through the Bond Retirement debt service fund.

*1999 Energy Conservation Improvement Loan* - On January 27, 1999, the School District obtained a loan, in the amount of \$293,634, to provide energy conservation measures for the School District. The loan was obtained under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a ten-year period, with a final maturity of 2009. The loan is being repaid through the Bond Retirement debt service fund.

*1978 Swanton Library Bonds* - On October 1, 1978, the School District issued \$350,000 in voted general obligation bonds for renovations to the Swanton Public Library. The bonds were issued for a twenty-three year period with final maturity on December 1, 2001. The bonds have been retired through the Bond Retirement debt service fund.



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Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's voted debt margin was \$252,781 with an unvoted debt margin of \$176,942 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, were as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$630,978	\$721,557	\$1,352,535
2004	540,000	701,703	1,241,703
2005	625,000	683,747	1,308,747
2006	690,000	661,660	1,351,660
2007	775,000	636,123	1,411,123
2008-2026	12,687,028	8,404,933	21,091,961
Total	<u>\$15,948,006</u>	<u>\$11,809,723</u>	<u>\$27,757,729</u>

**15. SET ASIDE REQUIREMENTS**

The School 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2001	\$283,055		\$70,229
Current Year Set Aside Requirement	181,078	\$181,078	
Current Year Offsets			
Qualifying Expenditures	(136,522)	(181,078)	
Total	<u>\$327,611</u>		<u>\$70,229</u>
Cash Balance Carried Forward To FY 2003			<u>\$397,840</u>
Total Restricted Assets			<u>\$397,840</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to reduce the year-end amount to zero in the capital acquisition reserve.

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**16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Swanton Local School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$308,322	\$644	\$308,966
Depreciation Expense	26,005		26,005
Operating Income (Loss)	(142,754)	1,583	(141,171)
Federal Donated Commodities	35,074		35,074
Grants	77,215		77,215
Loss on Sale of Fixed Assets	(4,486)		(4,486)
Operating Transfers-In	25,000		25,000
Net Income (Loss)	126,764	1,583	128,347
Net Working Capital	(82,299)		(82,299)
Total Assets	167,918		167,918
Total Liabilities	94,597		94,597
Total Fund Equity	73,321		73,321

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The NWOCA Assembly consists of the superintendent from each participating school district. The Assembly elects a Council which consists of two representatives from each county. The degree of control exercised by any participating school district is limited to its representation on the Council. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. Total disbursements made by the School District to NBEC during the fiscal year ended June 30, 2002 were \$107,198. Financial information can be obtained from the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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**C. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**D. Joint Recreation Board**

The School District and the Village of Swanton participate in a Joint Recreation Board created under Ohio Revised Code Section 755.14. Projects undertaken by the Joint Recreation Board are approved by the Board of Education and Village Council. The Joint Recreation Board consists of four representatives appointed by the Swanton Board of Education and five representatives appointed by the Village of Swanton. The degree of control exercised by the School District is limited to its representation on the Joint Recreation Board.

**E. Penta County Joint Vocational School District**

The Penta County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the sixteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Joint Vocational School District, Carrie J. Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551.

**18. INSURANCE POOL**

*Northern Buckeye Education Council Workers' Compensation Group Rating Plan* - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of two representatives each from Defiance, Fulton, Henry, and Williams Counties and the representative serving as fiscal agent for NBEC. The Executive Director coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**19. RELATED ORGANIZATION**

*Swanton Public Library* - The Swanton Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Swanton Board of Education. The Board of Trustees possesses its

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Total disbursements made by the School District to the Library during the fiscal year ended June 30, 2002, were \$200. Financial information can be obtained from the Swanton Public Library, Rita A. Bayer, Clerk/Treasurer, 305 Chestnut Street, Swanton, Ohio 43558.

**20. 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 plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**21. CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 School District at June 30, 2002.

**B. Litigation**

The School District is not party to any legal proceedings.

**22. CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Cardinal Bus Sales	\$51,039
Symplex/Grinnell	149,857
Gem Industrial	1,118,762
Industrial Power	1,102,595
Tri-County Block	<u>71,404</u>
Total	<u><u>\$2,493,657</u></u>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**23. CORRECTION OF AN ERROR**

During fiscal year 2002, the School District determined that its enterprise fund compensated absences balance was overstated by \$10,390, as of June 30, 2001. The correction resulted in the following changes to retained earnings in the enterprise fund as previously reported as of June 30, 2001:

Retained Earnings, June 30, 2001 (as reported)	(\$72,873)
Compensated Absence Liability Reduction	<u>10,390</u>
Retained Earnings, July 1, 2001 (Restated)	<u><u>(\$62,483)</u></u>

There was no material effect on this net loss as previously reported for the year ended June 30, 2001.

**24. BOND ANTICIPATION NOTE**

As of June 30, 2001, the School District had \$18,000,000 bond anticipation notes outstanding. The bond anticipation notes were paid off in September of 2001.

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**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Program/ Award Amount	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
<i>Passed Through Ohio Department of Education:</i>							
<u>Nutrition Cluster:</u>							
Food Donation Program		10.550			\$35,074		\$35,074
National School Lunch Program		10.555		\$84,734		\$84,734	
Special Milk Program		10.556		355		355	
Total U.S. Department of Agriculture - Nutrition Cluster				<b>85,089</b>	<b>35,074</b>	<b>85,089</b>	<b>35,074</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>							
<i>Passed Through Ohio Department of Education:</i>							
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2001 C1-S1-2002	84.010	100,751 100,487	21,608 98,685		24,144 98,685	
Total Title I Grant				120,293		122,829	
Safe and Drug Free Schools (Title IV)	DR-S1-2001 DR-S1-2002	84.186	6,515 6,263	1,348 6,263		4,455 78	
Total Title IV Grant				7,611		4,533	
Eisenhower Professional Development Grant (Title II)	MS-S1-2001 MS-S1-2002	84.281	4,991 6,417	499 6,396		1,495 4,277	
Total Title II Grant				6,895		5,772	
Innovative Education Program Strategies (Title VI)	C2-S1-2001 C2-S1-2002	84.298	8,528 9,124	3,065 9,124		7,731 9,124	
Total Title VI Grant				12,189		16,855	
Class Size Reduction (Title VI-R)	CR-S1-2001 CR-S1-2002	84.340	21,890 28,707	2,722 28,707		9,022 28,707	
Total Title VI-R Grant				31,429		37,729	
Total Department of Education				178,417		187,718	
<b>Totals</b>				<b>\$263,506</b>	<b>\$35,074</b>	<b>\$272,807</b>	<b>\$35,074</b>

*The accompanying notes are an integral part of this schedule.*

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Notes to the Schedule of Federal Awards Expenditures  
June 30, 2002**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards 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 – FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Swanton Local School District  
Fulton County  
108 N. Main Street  
Swanton, OH 43558-1032

To the Board of Education:

We have audited the financial statements of Swanton Local School District, Fulton County, (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated April 30, 2003, wherein we were unable to obtain sufficient and competent evidence of the valuation of fixed assets in the General Fixed Assets Account Group and the Proprietary Fund Type. Except as described above, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10126-001 through 2002-10126-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated April 30, 2003.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-10126-005 through 2002-10126-007.

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A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider items 2002-10126-005 and 2002-10126-006 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated April 30, 2003.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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 30, 2003



## Auditor of State Betty Montgomery

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

Swanton Local School District  
Fulton County  
108 N. Main Street  
Swanton, OH 43558-1032

To the Board of Education:

#### Compliance

We have audited the compliance of Swanton Local School District, Fulton County, (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

#### Internal Control over Compliance

The management of the School District 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 School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of 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 noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated April 30, 2003.

This report is intended for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

April 30, 2003

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Schedule of Findings  
June 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I - CFDA # 84.010 Title VI-R – CFDA # 84.340
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2002-10126-001**

**Noncompliance Citation**

Chapter 5705 of the Ohio Revised Code outlines the budgetary process to be followed by the School District, as follows:

Ohio Revised Code § 5705.36 requires that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

**FINDING NUMBER 2002-10126-001  
(Continued)**

Ohio Revised Code § 5705.38 requires a Board of Education to pass its annual appropriation measure by the first day of October. If a school district's annual appropriation measure is delayed (as permitted by law), the board may pass a temporary measure for meeting the ordinary expense of the school district until it passes an annual appropriation measure. Ohio Revised Code § 5705.39 requires that total appropriations from each fund should not exceed the total estimated revenue, and no appropriation measure is to become effective until the county auditor files a certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate. Ohio Revised Code § 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The School District did not follow the requirements stated above, as follows:

- The certification of the June 30, 2001 balances was not sent to the County Auditor at the time required resulting in the only available Amended Certificate of Estimated Resources dated May 10, 2002.
- Permanent appropriations were passed on January 4, 2002 (more than 6 months beyond the required date), prior to obtaining an amended certificate from the County Auditor, and there was no evidence the delay was permitted by law.
- No certificate was available indicating that appropriations were within the estimates resources, and appropriations have exceeded the total available resources by significant amounts for many funds.
- Appropriations, as set forth in the budgetary reports, do not agree with appropriations approved by the Board.

The budgetary process is essential to management and the board for planning, control, and evaluation of the financial condition of the School District. Lack of compliance with budgetary requirements and monitoring of budgetary information could result in deficit conditions occurring and not being detected in a timely manner, which could impact future operations and overall educational environment of the School District. In order to comply with the budgetary requirements of the Ohio Revised Code, and to understand the purpose of the budgetary process, we recommend the following:

- The Board is to certify the total amount from all sources which is available for expenditures from each fund along with any unencumbered balances that existed at the end of the preceding year by the required date (July 1).
- The Board pass its annual appropriation measure by the first day of October, and if its annual appropriation measure is delayed (as permitted by law), the Board pass a temporary measure for meeting the ordinary expense of the School District until it passes an annual appropriation measure.
- The Board to ensure that the School District has obtained the county auditor certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**FINDING NUMBER 2002-10126-001  
(Continued)**

- The Board approves appropriation amendments and supplementals in accordance with the same provisions of law as used in making the original appropriation, and to take appropriate action to ensure that expenditures do not exceed appropriations. The Board should require presentation of budgetary information, at the legal level of control, as established by the Board, for their review. Also, members of the finance and/or audit committee should review and compare budgetary information to source documents to ensure the information provided is accurate.
- The management of the School District reviews the budgetary requirements as outlined by the Ohio Revised Code. The requirements can be reviewed at the Auditor of State website [www.auditor.state.oh.us](http://www.auditor.state.oh.us) where the Ohio Compliance Supplement and Auditor of State Technical Bulletins are available detailing various budgetary issues and procedures that affect school districts. If further guidance on the budgetary process and requirements are needed, management of the School District should consult with the County Budget Commission. Other sources of information could come from area local school treasurers, state department of education and/or statewide boards or associations.

**FINDING NUMBER 2002-10126-002**

**Noncompliance Citation**

Ohio Revised Code § 5705.391 states that school districts are required to prepare 5-year projections of revenues and expenditures as part of the spending plans. Plans are to be updated whenever actual revenues or expenditures deviate from projections by 5% or more, and must be filed with the Department of Education no later than June 30.

The following deficiencies were noted during testing of the FY 2002 forecast (approved March 25, 2002):

- The textbook and instructional materials reserves were not shown in the amount of \$327,611.
- The FY 2001 reported ending cash balance was overstated by \$155,255 to FY 2001 actual ending fund cash balances.

The June 30, 2002 unreserved fund balance, as reported on the forecast, is \$217,821. The accumulated effect, as noted above, of not showing the amount of reserves and the incorrect FY 2001 ending fund cash balance resulted in a reduction to the June 30, 2002 unreserved fund balance in the amount of \$482,866, to a new deficit balance of (\$265,045).

These conditions could result in (1) school district management and/or the Ohio Department of Education drawing erroneous conclusions about the school district's true financial condition, and/or (2) delay of implementation of strategic measures aimed at deficit reduction. To ensure that 5-year forecast requirements are met, we recommend the following:

- School District management review Auditor of State Bulletin 98-015 as to the requirements of the forecast.
- The Board review and compare actual information reported to supporting documents and reports.
- The Board review 5-year forecasts submitted to ODE to ensure that historical data is accurate and determine whether revisions are needed.

**FINDING NUMBER 2002-10126-003**

**Noncompliance Citation**

Ohio Revised Code § 3315.17(A) requires that a local school district establish a textbook and materials reserve which is to be accounted for in the district's general fund using any reasonable accounting method. The reserve must be calculated and set aside annually. If the set-aside amount is not spent in one year it is carried forward to the next year. Money in the reserve shall be used for textbooks, instructional software, and instructional materials, supplies, and equipment; however, the statute allows a district to spend the reserve for things other than textbooks if certain conditions in the statute are satisfied.

The School District has not established the required reserve in its general fund, and the amount of the required set aside as of June 30, 2002 is \$327,611. School District management indicated that a major textbook purchase was made in 1999. This resulted in less expenditures for upgrading textbooks and instructional materials in subsequent years and is the reason for such a large reserve amount.

We recommend the school district establish a textbook and materials reserve to be accounted for in the general fund or review Ohio Revised Code §3315.17(D) which allows for these funds to be used for expenses other than textbooks if certain criteria are met and approvals obtained.

**FINDING NUMBER 2002-10126-004**

**Noncompliance Citation**

Ohio Revised Code §5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following funds:

Fund	Amount Expenditures Exceeded Appropriations
General Fund (001)	\$182,629
Building Fund (018)	7,068
Holden Jennings Grant Fund (019)	3,388
EMIS (432)	4,189
Disadvantaged Pupil IA (447)	11,880
Network Connectivity Subsidy (451)	13,394
School Net Professional Development (452)	2,336
Ohio Reads Grant Fund (459)	41,027
Miscellaneous State Grant Fund (499)	7,608
Title VI Grant Fund (573)	5,646
Bond Retirement Fund (002)	1,100,291
Permanent Improvement Fund (003)	34,265,762
School Net Fund (450)	20,031

The minutes did not show specific board action when amending or supplementing appropriations to individual funds. We recommend that whenever there are amendments or supplementals to funds or accounts at the established legal level of control the minutes reflect these changes as approved by the board.



**FINDING NUMBER 2002-10126-005**

**Material Weakness - Minute Records**

The School District's minute records do not identify all of the required budgetary actions of the Board (i.e., adopting permanent appropriations, budgetary amendments, interfund transfers). The Board formally adopts its minute agendas that refer to and include exhibits; however, the agendas are not a part of the minute record.

This condition could result in permanent, official actions of the Board being erroneously lost and/or destroyed. This could have a detrimental effect on the school district if adverse actions are taken against the school district and, the historical reference of those actions could not be determined.

We recommend the Board immortalize its permanent, official actions by reflecting all of its voted actions in the minute record.

**FINDING NUMBER 2002-10126-006**

**Material Weakness**

The following weaknesses exist over fixed assets:

- The IPA had been provided an incorrect EIS Summary Report (Schedule of Changes in Fixed Assets), no detailed fixed asset listing, and no Schedule of Changes in Depreciation for Proprietary Funds, resulting in GAAP conversion work paper additions and deletions being materially incorrect.
- A Schedule of Changes in Fixed Assets, Detail Schedule of Changes in Fixed Assets by Class, and a Schedule of Changes in Depreciation by Class for Proprietary Funds was provided, and the following errors were identified:
  - Construction in progress for new high school and renovation of elementary schools was not included in any of the above schedules and/or the compilation report, resulting in material error.
  - Asset items meeting capitalization criteria were not properly capitalized.
  - Deletions/sales of assets were not updated and/or no detail exists to support the deletions from fixed asset balances.
  - Reported beginning balances did not agree with system-generated schedule(s) due to system not being updated with known asset additions in prior years, prior years' reclassifications between categories within the GFAAG (General Fixed Asset Account Group), and prior years' reclassifications of assets between GFAAG balances and proprietary balances.
- A district-wide inventory has not been performed by the School District for several years, and a detailed listing of inventory/fixed asset items has not been generated since 2000.
- The School District's Fixed Asset and Management Policy do not document procedures for processing of fixed asset additions, deletions, transfers, and tag identification.

**FINDING NUMBER 2002-10126-006**  
**(Continued)**

Failure to employ adequate controls over the acquisition, disposal, transfer, and recording of fixed assets could result in misappropriation of assets and/or material misstatement of recorded assets. To maintain adequate safeguards over fixed assets, and to reduce the risk that School District assets will be materially misstated, we recommend the following:

- Reports should be reviewed for accuracy, completeness, and necessary corrections prior to submission to IPA for GAAP conversion process.
- The School District develop and implement procedures to be performed throughout the year, for recording and updating of fixed asset additions, deletions, and categorical transfers. These procedures should include all assets meeting the School District's capitalization criteria. Further, addition and disposal forms should be completed by the School District and approved by management when assets are acquired or disposed. This information should then be entered on the fixed asset accounting system, recording such information as the tag number, a description of the item, the cost, the acquisition date, location and any other supporting documentation.
- The School District to develop and implement procedures for performing periodic (annual) physical inventories. The physical inventories can be performed by submitting a list of all fixed assets recorded to each location and having individuals responsible for that location perform the inventory of all assets in that location. The assets in each location should be compared to the listing provided, and any assets no longer used should be deleted and any assets included on the listing should be added. Any significant deficiencies should be investigated and documented accordingly.

**FINDING NUMBER 2002-10126-007**

**Reportable Condition**

The School District operates on the cash basis of accounting throughout the year. To provide more accurate and meaningful reporting of financial activities, the district is required by Government Auditing Standards to convert to the modified accrual basis of accounting at year end. The School District contracts with an Independent Public Accountant (IPA) to provide this conversion. The information provided to the IPA and the oversight of the Treasurer to the conversion process is critical to an accurate and consistent conversion. In testing, we have identified weaknesses in the following conversion areas that have caused overstatements or understatements and inaccurate financial reporting:

- Cash - market value of investments was incorrect.
- Debt - reported \$18,000,000 note payable at June 30, 2002 which was retired during FY2002.
- Accounts Payable - were not reported.
- Accrued Payroll - not all insurance benefits were accrued.
- Compensated Absences (long and short term) - calculation for termination method was incorrect.
- Intergovernmental Payables (long and short term) - report used to compute retirement accrual was in error

**FINDING NUMBER 2002-10126-007  
(Continued)**

- Fixed Assets - lack of records resulting in qualification.
- Taxes Receivable - incorrect amended certificate was provided to IPA to calculate the receivable.
- Notes to the Financial Statements - incorrect and/or not applicable notes, incorrect wording, and incorrect rates.

This resulted in an inordinate number of audit adjustments/reclassifications, unadjusted differences, and modifications to the notes to the financial statements. Further, this situation resulted in additional audit hours and cost. In order to prevent the problems and errors, as described above, we recommend the following:

- The information provided to the IPA should be reviewed as to accuracy and completeness.
- Prior to the next conversion, the Treasurer should meet with the IPA to discuss issues encountered to ensure the necessary information is provided,
- Upon receiving the compilation report, review of the statements and notes be performed to ensure agreement between the two and to detect any obvious errors and omissions.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Schedule of Prior Audit Findings  
June 30, 2002**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-10126-001	<p>Ohio Revised Code § 5705.36 Failure to certify total amount available</p> <p>Ohio Revised Code § 5705.38 Failure to pass annual appropriations</p> <p>Ohio Revised Code § 5705.39 Appropriations in excess of estimated resources</p>	No	Partially Corrected. Repeated as Finding # 2002-10126-001.
2001-10126-002	Ohio Revised Code §5705.391(B) 5-Year forecast errors	No	Not Corrected. Modified and repeated as Finding # 2002-10126-002.
2001-10126-003	Ohio Revised Code § 3315.17(A) Failure to establish textbook and instructional materials reserve	No	Not Corrected. Repeated as Finding # 2002-10126-003.
2001-10126-004	Material weakness regarding minute records	No	Not Corrected. Modified and repeated as Finding # 2002-10126-005.



**Auditor of State  
Betty Montgomery**

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**SWANTON LOCAL SCHOOL DISTRICT**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 27, 2003**