



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT ON INDEPENDENT ACCOUNTANTS

Swanton Local School District  
Fulton County  
108 North Main Street  
Swanton, Ohio 43558-1032

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Swanton Local School District, Fulton County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

January 19, 2000



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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	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	\$ 1,093,576	\$ 126,295	\$ 57,738	\$ 213,826
Cash and Cash Equivalents with Fiscal Agent	0	3,508	0	0
Receivables:				
Property Taxes	5,050,445	59,239	13,537	326,139
Accounts	26,744	0	0	0
Intergovernmental	23,320	0	0	0
Accrued Interest	0	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	24,906	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	46,305	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 6,265,296</b>	<b>\$ 189,042</b>	<b>\$ 71,275</b>	<b>\$ 539,965</b>
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 25,131	\$ 2,409	\$ 0	\$ 3,425
Contracts Payable	0	0	0	102,702
Accrued Wages and Benefits	857,005	29,183	0	0
Compensated Absences Payable	39,859	0	0	0
Intergovernmental Payable	155,063	4,898	0	12,975
Deferred Revenue	4,755,981	55,499	12,596	303,584
Due to Students	0	0	0	0
Early Retirement Incentive Payable	0	0	0	0
Loan Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>5,833,039</b>	<b>91,989</b>	<b>12,596</b>	<b>422,686</b>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings, Unreserved	0	0	0	0
Fund Balance:				
Reserved for Property Taxes	252,181	3,106	783	17,327
Reserved for Inventory	24,906	0	0	0
Reserved for Budget Stabilization	41,707	0	0	0
Reserved for Bus Purchase	4,598	0	0	0
Reserved for Encumbrances	37,573	8,061	0	61,722
Unreserved	71,292	85,886	57,896	38,230
<b>Total Fund Equity and Other Credits</b>	<b>432,257</b>	<b>97,053</b>	<b>58,679</b>	<b>117,279</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 6,265,296</b>	<b>\$ 189,042</b>	<b>\$ 71,275</b>	<b>\$ 539,965</b>

*See Accompanying Notes to the General-Purpose Financial Statements*

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 3,613	\$ 62,682	\$ 0	\$ 0	\$ 1,557,730
0	0	0	0	3,508
0	0	0	0	5,449,360
0	0	0	0	26,744
15,607	0	0	0	38,927
0	156	0	0	156
8,795	0	0	0	8,795
0	0	0	0	24,906
0	0	0	0	46,305
58,973	0	8,125,412	0	8,184,385
0	0	0	58,679	58,679
0	0	0	1,421,104	1,421,104
<b>\$ 86,988</b>	<b>\$ 62,838</b>	<b>\$ 8,125,412</b>	<b>\$ 1,479,783</b>	<b>\$ 16,820,599</b>

\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,965
0	0	0	0	102,702
29,718	0	0	0	915,906
20,880	0	0	839,958	900,697
20,533	0	0	69,682	263,151
3,778	0	0	0	5,131,438
0	47,905	0	0	47,905
0	0	0	6,600	6,600
0	0	0	223,909	223,909
0	0	0	293,634	293,634
0	0	0	46,000	46,000
74,909	47,905	0	1,479,783	7,962,907
0	0	8,125,412	0	8,125,412
7,457	0	0	0	7,457
4,622	0	0	0	4,622
0	0	0	0	273,397
0	0	0	0	24,906
0	0	0	0	41,707
0	0	0	0	4,598
0	0	0	0	107,356
0	14,933	0	0	268,237
12,079	14,933	8,125,412	0	8,857,692
<b>\$ 86,988</b>	<b>\$ 62,838</b>	<b>\$ 8,125,412</b>	<b>\$ 1,479,783</b>	<b>\$ 16,820,599</b>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Property Taxes	\$ 4,860,936	\$ 30,681
Intergovernmental	4,452,699	491,139
Interest	97,622	0
Tuition and Fees	96,583	20,685
Rent	18,785	0
Gifts and Donations	6,744	9,558
Extracurricular Activities	0	154,070
Miscellaneous	21,244	0
<b>Total Revenues</b>	<u>9,554,613</u>	<u>706,133</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	4,690,985	121,228
Special	951,167	146,676
Vocational	172,326	7,282
Other	81,049	0
Support Services:		
Pupils	371,076	45,335
Instructional Staff	384,072	29,233
Board of Education	6,600	0
Administration	806,755	1,701
Fiscal	293,853	147,682
Business	611	0
Operation and Maintenance of Plant	769,687	839
Pupil Transportation	531,704	14,914
Central	22,480	0
Non-Instructional Services	0	165,092
Extracurricular Activities	235,129	70,704
Capital Outlay	0	0
Intergovernmental	0	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
<b>Total Expenditures</b>	<u>9,317,494</u>	<u>750,686</u>
Excess of Revenues Over (Under) Expenditures	<u>237,119</u>	<u>(44,553)</u>
<b>Other Financing Sources (Uses):</b>		
Proceeds of Loan	0	0
Operating Transfers In	0	250
Operating Transfers Out	(30,250)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(30,250)</u>	<u>250</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	206,869	(44,303)
Fund Balances at Beginning of Year	225,785	141,356
Decrease in Reserve for Inventory	(397)	0
<b>Fund Balances at End of Year</b>	<u><u>\$ 432,257</u></u>	<u><u>\$ 97,053</u></u>

*See Accompanying Notes to the General-Purpose Financial Statements*

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 81,997	\$ 244,492	\$ 0	\$ 5,218,106
1,364	230,111	0	5,175,313
976	0	801	99,399
0	0	0	117,268
0	0	0	18,785
0	0	0	16,302
0	0	0	154,070
0	0	7,040	28,284
<b>84,337</b>	<b>474,603</b>	<b>7,841</b>	<b>10,827,527</b>
0	42,516	0	4,854,729
0	0	0	1,097,843
0	0	0	179,608
0	0	0	81,049
0	0	0	416,411
0	77,261	0	490,566
0	10,124	0	16,724
0	0	0	808,456
648	6,355	0	448,538
0	0	0	611
0	0	0	770,526
0	0	0	546,618
0	0	0	22,480
0	0	8,000	173,092
0	0	0	305,833
0	832,657	0	832,657
0	12,975	0	12,975
71,977	0	0	71,977
16,604	0	0	16,604
<b>89,229</b>	<b>981,888</b>	<b>8,000</b>	<b>11,147,297</b>
<b>(4,892)</b>	<b>(507,285)</b>	<b>(159)</b>	<b>(319,770)</b>
0	293,634	0	293,634
0	0	0	250
0	0	0	(30,250)
<b>0</b>	<b>293,634</b>	<b>0</b>	<b>263,634</b>
(4,892)	(213,651)	(159)	(56,136)
63,571	330,930	15,092	776,734
0	0	0	(397)
<b>\$ 58,679</b>	<b>\$ 117,279</b>	<b>\$ 14,933</b>	<b>\$ 720,201</b>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$ 4,825,471	\$ 4,943,377	\$ 117,906
Intergovernmental	4,329,524	4,435,312	105,788
Interest	92,701	95,758	3,057
Tuition and Fees	88,497	90,592	2,095
Rent	18,947	19,410	463
Gifts and Donations	593	607	14
Extracurricular Activities	0	0	0
Miscellaneous	12,115	13,062	947
<b>Total Revenues</b>	<b>9,367,848</b>	<b>9,598,118</b>	<b>230,270</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	4,739,438	4,643,359	96,079
Special	1,020,699	948,120	72,579
Vocational	177,872	172,209	5,663
Other	92,000	81,309	10,691
Support Services:			
Pupils	383,400	374,329	9,071
Instructional Staff	424,880	380,942	43,938
Board of Education	11,050	7,093	3,957
Administration	938,227	828,795	109,432
Fiscal	302,870	291,041	11,829
Business	725	611	114
Operation and Maintenance of Plant	876,624	760,556	116,068
Pupil Transportation	571,960	529,949	42,011
Central	24,000	22,480	1,520
Non-Instructional Services	0	0	0
Extracurricular Activities	255,551	234,810	20,741
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>9,819,296</b>	<b>9,275,603</b>	<b>543,693</b>
Excess of Revenues Over (Under) Expenditures	(451,448)	322,515	773,963
<b>Other Financing Sources (Uses):</b>			
Proceeds of Loan	0	0	0
Refund of Prior Year Expenditures	7,902	7,902	0
Operating Transfers In	0	0	0
Operating Transfers Out	(30,250)	(30,250)	0
Advances In	0	75,000	75,000
Advances Out	(25,000)	(75,000)	(50,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(47,348)</b>	<b>(22,348)</b>	<b>25,000</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(498,796)	300,167	798,963
Fund Balances at Beginning of Year	790,320	790,320	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Balances at End of Year</b>	<b>\$ 291,524</b>	<b>\$ 1,090,487</b>	<b>\$ 798,963</b>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 43,581	\$ 26,941	\$ (16,640)	\$ 12,450	\$ 12,959	\$ 509
397,026	386,459	(10,567)	1,436	1,364	(72)
0	0	0	976	976	0
29,278	20,685	(8,593)	0	0	0
0	0	0	0	0	0
21,067	9,558	(11,509)	0	0	0
187,878	154,070	(33,808)	0	0	0
488	0	(488)	0	0	0
<u>679,318</u>	<u>597,713</u>	<u>(81,605)</u>	<u>14,862</u>	<u>15,299</u>	<u>437</u>
164,917	124,173	40,744	0	0	0
133,991	108,549	25,442	0	0	0
8,092	7,282	810	0	0	0
0	0	0	0	0	0
2,332	1,874	458	0	0	0
10,212	9,043	1,169	0	0	0
0	0	0	0	0	0
1,500	833	667	0	0	0
162,302	148,686	13,616	677	648	29
0	0	0	0	0	0
0	0	0	0	0	0
17,778	14,914	2,864	0	0	0
0	0	0	0	0	0
213,009	165,782	47,227	0	0	0
78,281	70,839	7,442	0	0	0
0	0	0	0	0	0
0	0	0	71,977	71,977	0
0	0	0	16,604	16,604	0
<u>792,414</u>	<u>651,975</u>	<u>140,439</u>	<u>89,258</u>	<u>89,229</u>	<u>29</u>
<u>(113,096)</u>	<u>(54,262)</u>	<u>58,834</u>	<u>(74,396)</u>	<u>(73,930)</u>	<u>466</u>
0	0	0	0	0	0
5,400	5,400	0	0	0	0
0	250	250	69,190	69,190	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>5,400</u>	<u>5,650</u>	<u>250</u>	<u>69,190</u>	<u>69,190</u>	<u>0</u>
(107,696)	(48,612)	59,084	(5,206)	(4,740)	466
153,597	153,597	0	62,478	62,478	0
12,568	12,568	0	0	0	0
<u>\$ 58,469</u>	<u>\$ 117,553</u>	<u>\$ 59,084</u>	<u>\$ 57,272</u>	<u>\$ 57,738</u>	<u>\$ 466</u>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$ 317,570	\$ 318,215	\$ 645
Intergovernmental	206,754	219,155	12,401
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Gifts and Donations	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>524,324</u>	<u>537,370</u>	<u>13,046</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	42,516	42,516	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	177,543	166,311	11,232
Board of Education	11,900	10,124	1,776
Administration	0	0	0
Fiscal	6,550	6,355	195
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	909,925	897,321	12,604
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>1,148,434</u>	<u>1,122,627</u>	<u>25,807</u>
Excess of Revenues Over (Under) Expenditures	<u>(624,110)</u>	<u>(585,257)</u>	<u>38,853</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds of Loan	293,634	293,634	0
Refund of Prior Year Expenditures	5,059	10,956	5,897
Operating Transfers In	0	0	0
Operating Transfers Out	(69,190)	(69,190)	0
Advances In	0	75,000	(75,000)
Advances Out	0	(75,000)	75,000
Total Other Financing Sources (Uses)	<u>229,503</u>	<u>235,400</u>	<u>5,897</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(394,607)</u>	<u>(349,857)</u>	<u>44,750</u>
Fund Balances at Beginning of Year	69,722	69,722	0
Prior Year Encumbrances Appropriated	326,124	326,124	0
<b>Fund Balances at End of Year</b>	<u><u>\$ 1,239</u></u>	<u><u>\$ 45,989</u></u>	<u><u>\$ 44,750</u></u>

*See Accompanying Notes to the General-Purpose Financial Statements*

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 5,199,072	\$ 5,301,492	\$ 102,420
0	0	0	4,934,740	5,042,290	107,550
553	808	255	94,230	97,542	3,312
0	0	0	117,775	111,277	(6,498)
0	0	0	18,947	19,410	463
0	0	0	21,660	10,165	(11,495)
0	0	0	187,878	154,070	(33,808)
4,447	7,040	2,593	17,050	20,102	3,052
5,000	7,848	2,848	10,591,352	10,756,348	164,996
0	0	0	4,946,871	4,810,048	136,823
0	0	0	1,154,690	1,056,669	98,021
0	0	0	185,964	179,491	6,473
0	0	0	92,000	81,309	10,691
0	0	0	385,732	376,203	9,529
0	0	0	612,635	556,296	56,339
0	0	0	22,950	17,217	5,733
0	0	0	939,727	829,628	110,099
0	0	0	472,399	446,730	25,669
0	0	0	725	611	114
0	0	0	876,624	760,556	116,068
0	0	0	589,738	544,863	44,875
0	0	0	24,000	22,480	1,520
9,000	8,000	1,000	222,009	173,782	48,227
0	0	0	333,832	305,649	28,183
0	0	0	909,925	897,321	12,604
0	0	0	71,977	71,977	0
0	0	0	16,604	16,604	0
9,000	8,000	1,000	11,858,402	11,147,434	710,968
(4,000)	(152)	3,848	(1,267,050)	(391,086)	875,964
0	0	0	293,634	293,634	0
0	0	0	18,361	24,258	5,897
0	0	0	69,190	69,440	250
0	0	0	(99,440)	(99,440)	0
0	0	0	0	150,000	150,000
0	0	0	(25,000)	(150,000)	(125,000)
0	0	0	256,745	287,892	31,147
(4,000)	(152)	3,848	(1,010,305)	(103,194)	907,111
14,929	14,929	0	1,091,046	1,091,046	0
0	0	0	338,692	338,692	0
<b>\$ 10,929</b>	<b>\$ 14,777</b>	<b>\$ 3,848</b>	<b>\$ 419,433</b>	<b>\$ 1,326,544</b>	<b>\$ 907,111</b>

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<b>Operating Revenues:</b>	
Sales	\$ 273,690
<b>Operating Expenses:</b>	
Salaries	167,045
Fringe Benefits	67,183
Purchased Services	1,581
Materials and Supplies	5,777
Cost of Sales	177,820
Depreciation	5,771
Other Operating Expenses	294
Total Operating Expenses	<u>425,471</u>
Operating Loss	<u>(151,781)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal Donated Commodities	37,351
Operating Grants	89,675
Loss on Disposal of Fixed Assets	<u>(5,544)</u>
Total Non-Operating Revenues (Expenses)	<u>121,482</u>
Loss Before Operating Transfers	(30,299)
Operating Transfers In	<u>30,000</u>
Net Loss	(299)
Retained Earnings at Beginning of Year	<u>4,921</u>
Retained Earnings at End of Year	<u>4,622</u>
Contributed Capital at Beginning of Year	4,320
Contributions from Other Funds	<u>3,137</u>
Contributed Capital at End of Year	<u>7,457</u>
<b>Total Fund Equity at End of Year</b>	<b><u><u>\$ 12,079</u></u></b>

*See Accompanying Notes to the General-Purpose Financial Statements*

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$ 276,350	\$ 273,690	\$ (2,660)
Operating Grants	96,150	74,068	(22,082)
<b>Total Revenues</b>	<u>372,500</u>	<u>347,758</u>	<u>(24,742)</u>
<b>Expenses:</b>			
Salaries	161,600	160,349	1,251
Fringe Benefits	68,151	67,905	246
Purchased Services	1,600	1,581	19
Materials and Supplies	152,500	150,182	2,318
Capital Outlay	599	494	105
Other Expenses	300	294	6
<b>Total Expenses</b>	<u>384,750</u>	<u>380,805</u>	<u>3,945</u>
Excess of Revenues Under Expenses	(12,250)	(33,047)	(20,797)
<b>Operating Transfers In</b>	<u>10,000</u>	<u>30,000</u>	<u>20,000</u>
Excess of Revenues Under Expenses and Transfers	(2,250)	(3,047)	(797)
Fund Balances at Beginning of Year	<u>6,660</u>	<u>6,660</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u><u>\$ 4,410</u></u>	<u><u>\$ 3,613</u></u>	<u><u>\$ (797)</u></u>

*See Accompanying Notes to the General-Purpose Financial Statements*

**COMBINED STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$ 273,690
Cash Payments for Salaries	(160,349)
Cash Payments for Fringe Benefits	(67,905)
Cash Payments to Suppliers for Goods and Services	(147,982)
Cash Payments for Other Expenses	(294)
Net Cash Used for Operating Activities	(102,840)

**Cash Flows from Non-Capital Financing Activities:**

Cash Received from Operating Grants	74,068
Cash Received from Operating Transfers In	30,000
Net Cash Provided by Non-Capital Financing Activities	104,068

**Cash Flows from Capital and Related Financing Activities:**

Cash Payments for Fixed Assets	(4,275)
Net Decrease in Cash and Cash Equivalents	(3,047)
Cash and Cash Equivalents at Beginning of Year	6,660
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,613</b>

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH USED FOR OPERATING ACTIVITIES**

Operating Loss	\$ (151,781)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</b>	
Donated Commodities Used During Year	37,351
Depreciation	5,771
Changes in Assets and Liabilities:	
Increase in Inventory Held for Resale	(155)
Decrease in Accrued Wages and Benefits	2,811
Increase in Compensated Absences Payable	4,672
Decrease in Intergovernmental Payable	(1,509)
Net Cash Used for Operating Activities	<b>\$ (102,840)</b>

**NON-CASH CAPITAL FINANCING ACTIVITIES**

During fiscal year 1999, the General Fund purchased fixed assets and donated them to the Food Service enterprise fund in the amount of \$3,137.

*See Accompanying Notes to the General-Purpose Financial Statements*

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 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 through the consolidation of existing land areas and school districts. The School District 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 342nd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by seventy-seven classified employees, one hundred ten certified teaching personnel, and six administrative employees who provide services to 1,644 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 three 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, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Swanton Public Library. Information about these organizations is presented in Notes 16, 17, and 18 to the general-purpose financial statements.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 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. Basis of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. 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.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School 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 School District's governmental fund types:

*General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*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).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**Proprietary Fund Types:**

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

*Enterprise Funds* - Enterprise funds are used to account for School District 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 School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School 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 School District, other than 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 School District, except those accounted for in proprietary funds or trust funds.

**B. 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 enterprise 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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. 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.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants, interest, tuition, student fees, and rent.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded 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.

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and 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.

**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.

The Eisenhower and Title VI-B special revenue funds are flow through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**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 1999.

**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 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, several 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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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 School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by the Northwest Ohio Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent."

During fiscal year 1999, the School District's investments were limited to repurchase agreements and non-negotiable certificates of deposit. Repurchase agreements and non-negotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$97,622, which includes \$26,551 assigned from other School 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 School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Inventory**

Inventory in the governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is 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 include amounts required by State statute to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of seven to twenty years.

**H. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School District's past experience of making termination payments.

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.

**I. 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, contractually required pension contributions, and the early retirement incentive 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 financial resources. Payments made more than sixty days after fiscal year end are considered not to have used current available financial 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**J. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds that is 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.

**K. 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, inventories of materials and supplies, budget stabilization, bus purchase, 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.

**L. 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.

The School 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*

- Phonics
- Venture Capital
- Auxiliary Services
- Local Professional Development
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- State Conflict
- Eisenhower
- Title VI-B
- Title I
- Title VI

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

Drug Free  
BASES  
Continuous Improvement  
*Capital Projects Funds*  
SchoolNet Plus  
Textbook/Instructional Materials  
Power Up

*Reimbursable Grants*

*General Fund*  
Driver Education  
*Enterprise Fund*  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 48 percent of the revenues of the School District's governmental fund types during the 1999 fiscal year.

**M. 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.

**N. 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.

**O. 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.

**NOTE 3 - COMPLIANCE**

The Auxiliary Services special revenue fund had appropriations in excess of estimated resources plus available balances, in the amount of \$385, for the fiscal year ended June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

The BASES special revenue fund, support services - instructional staff, materials and supplies account had expenditures plus encumbrances in excess of appropriations, in the amount of \$146, for the fiscal year ended June 30, 1999.

Certain expenditures were not properly certified according to the Ohio Revised Code § 5705.41(D).

**NOTE 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 and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Enterprise Funds 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. For the enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Eisenhower and Title VI-B special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize 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				
	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ 206,869	\$ (44,303)	\$ (4,892)	\$ (213,651)	\$ (159)
<u>Increase (Decrease) Due To:</u>					
Revenue Accruals:					
Accrued FY 1998, Received in Cash FY 1999	402,343	0	1,093	27,088	163

(Continued)

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
(Continued)					
Accrued FY 1999, Not Yet Received in Cash	(350,936)	(3,740)	(941)	(22,555)	(156)
Expenditure Accruals:					
Accrued FY 1998, Paid in Cash FY 1999	(992,181)	(37,263)	0	(92,004)	0
Accrued FY 1999, Not Yet Paid in Cash	1,077,058	36,490	0	119,102	0
Advances In	75,000	0	0	75,000	0
Advances Out	(75,000)	0	0	(75,000)	0
Excess of Revenues Under Expenditures for Nonbudgeted Funds	0	8,946	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	<u>(42,986)</u>	<u>(8,742)</u>	<u>0</u>	<u>(167,837)</u>	<u>0</u>
Budget Basis	<u>\$ 300,167</u>	<u>\$ (48,612)</u>	<u>\$ (4,740)</u>	<u>\$ (349,857)</u>	<u>\$ (152)</u>

Net Loss/Excess of Revenues Under  
Expenses and Transfers  
Enterprise Funds

GAAP Basis	\$ (299)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Not Yet Received in Cash	(15,607)
Expense Accruals:	
Accrued FY 1998, Paid in Cash FY 1999	(65,157)
Accrued FY 1999, Not Yet Paid in Cash	71,131
Inventory Held for Resale	(155)
Acquisition of Fixed Assets	(4,275)
Depreciation Expense	5,771
Loss on Disposal of Fixed Assets	5,544
Budget Basis	<u>\$ (3,047)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
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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 deposits are deposits of interim monies. 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 that 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 the date of purchase, unless matched to a specific obligation or debt of the School 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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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 School District had \$450 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents." The School District also had \$3,508 in cash and cash equivalents held by the Northwest Ohio Educational Service Center which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent." The Educational Service Center holds this flow through grant money for the School District along with that of other school districts and therefore the School District cannot classify this money by risk under GASB Statement No. 3.

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 School District's deposits was \$90,177 and the bank balance was \$178,408. Of the bank balance, \$163,004 was covered by federal depository insurance, and \$15,404 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 School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School 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 School 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 School District's name. At June 30, 1999, repurchase agreements, category 3 investments, had a carrying amount and fair value of \$1,513,408.

The classification of cash and cash equivalents and investments on the combined financial statements are 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."

A reconciliation between the classification of cash and cash equivalents and investment on the combined financial statements 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	\$ 1,607,543	\$ 0
Cash on Hand	(450)	0
Cash and Cash Equivalents with Educational Service Center	(3,508)	0
Repurchase Agreements	(1,513,408)	1,513,408
GASB Statement No. 3	\$ 90,177	\$ 1,513,408

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 1999, are available to finance fiscal year 1999 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, 1999. 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, 1999, was \$252,181 in the General Fund, \$3,106 in the Recreation special revenue fund, \$783 in the Bond Retirement debt service fund, and \$17,327 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1998, was \$333,548 in the General Fund, \$934 in the Bond Retirement debt service fund, and \$21,840 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 1999, this amount equaled \$42,283 in the General Fund, \$634 in the Recreation special revenue fund, \$158 in the Bond Retirement debt service fund, and \$5,228 in the Permanent Improvement capital projects fund. For fiscal year 1998, this amount equaled \$43,357 in the General Fund, \$159 in the Bond Retirement debt service fund, and \$5,428 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 93,083,630	67.03%	\$ 95,162,550	66.52%
Industrial/Commercial	17,962,280	12.94	17,777,750	12.43
Public Utility	11,693,960	8.42	12,852,220	8.98
Tangible Personal	16,122,193	11.61	17,269,330	12.07
Total Assessed Value	<u>\$ 138,862,063</u>	<u>100.00%</u>	<u>\$ 143,061,850</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 64.30</u>		<u>\$ 64.25</u>	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, and accrued interest. 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. Accounts receivable at June 30 were \$26,744.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Driver Education Reimbursement	\$ 1,450
Tuition	18,381
Bureau of Workers' Risk Premium	3,489
Total General Fund	<u>23,320</u>
Enterprise Fund	
Food Service	
Federal and State Lunchroom Subsidies	15,607
Total	<u>\$ 38,927</u>

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$ 225,967
Less Accumulated Depreciation	(166,994)
Net Fixed Assets	<u>\$ 58,973</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Land and Improvements	\$ 684,073	\$ 0	\$ 0	\$ 684,073
Buildings and Improvements	3,397,704	0	0	3,397,704
Furniture, Fixtures, and Equipment	1,908,337	449,386	146,193	2,211,530
Vehicles	950,048	63,974	0	1,014,022
Text and Library Books	662,530	155,553	0	818,083
Construction in Progress	13,930	0	13,930	0
<b>Totals</b>	<b>\$ 7,616,622</b>	<b>\$ 668,913</b>	<b>\$ 160,123</b>	<b>\$ 8,125,412</b>

**NOTE 9 - 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 1999, the School District contracted for the following coverages:

Coverages 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	1,000,000

Coverages 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

Coverages provided by CNA Insurance Company:

Building and Contents-replacement cost (\$1,000 deductible)	22,393,326
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 last year.

For fiscal year 1999, 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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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.

**NOTE 10 - 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. 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, 1999, 1998, and 1997, were \$290,776, \$500,567, and \$487,242, respectively; 82.82 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$49,967, 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 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, 1999, 1998, and 1997, were \$100,175, \$114,045, and \$116,097, respectively; 52.58 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$47,499, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**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, 1999, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$387,702 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000, and STRS had 91,999 eligible benefit recipients.

For SERS, 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.

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$110,013 for fiscal year 1999.

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. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components is 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-fifth of accrued, but unused sick leave credit to a maximum of forty-five days for all personnel.

**B. Health Care Benefits**

The School District offers medical insurance to most employees through Anthem Blue Cross and Blue Shield, dental insurance through Coresource, and life insurance through Anthem Life Insurance Company of Indiana. The cost of the monthly premiums is paid entirely by the Board for full-time employees.

**C. Early Retirement Incentive**

The School District's Board of Education has approved Early Retirement Incentive programs for both SERS and STRS employees. 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 the lesser of two years or one-fifth of each member's total service. 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 2000.

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 the purpose of deferring all or a portion of the incentive payment for tax purposes. The employee may choose to defer the payment until January of the 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 2000.

The Board has not limited the number of employees participating in the plans 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.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

	Interest Rate	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
1998 Fifth Third Loan	5.50%	\$ 279,886	\$ 0	\$ 55,977	\$ 223,909
1999 Energy Conservation Loan	4.60	0	293,634	0	293,634
1978 Swanton Library Bonds	6.375	62,000	0	16,000	46,000
Compensated Absences Payable		643,594	196,364	0	839,958
Intergovernmental Payable		69,164	69,682	69,164	69,682
Early Retirement Incentive Payable		0	6,600	0	6,600
Total General Long-Term Obligations		<u>\$ 1,054,644</u>	<u>\$ 566,280</u>	<u>\$ 141,141</u>	<u>\$ 1,479,783</u>

*1998 Fifth Third Loan* - On June 1, 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 payment due on December 1, 2003. The loan is being repaid through the Bond Retirement debt service fund.

*1999 Energy Conservation Loan* - On January 1, 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 §§ 133.06(G) and 3313.372 for a ten year period, with final maturity during fiscal year 2009.

*1978 Swanton Library Bonds* - On November 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 are being retired through the Bond Retirement debt service fund.

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 early retirement incentive is paid from the General Fund.

The School District's overall debt margin was \$12,651,658 with an unvoted debt margin of \$143,062 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, were as follows:

	Library Bonds		Fifth Third Loan		Energy Conservation Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2000	\$ 16,000	\$ 2,423	\$ 55,977	\$ 10,776	\$ 23,634	\$ 17,986	\$ 95,611	\$ 31,185
2001	15,000	1,434	55,977	7,697	25,000	11,459	95,977	20,590
2002	15,000	478	55,977	4,618	25,000	10,346	95,977	15,442
2003	0	0	55,978	1,539	25,000	9,234	80,978	10,773
2004	0	0	0	0	30,000	8,010	30,000	8,010
2005 -2009	0	0	0	0	165,000	19,025	165,000	19,025
	<u>\$ 46,000</u>	<u>\$ 4,335</u>	<u>\$ 223,909</u>	<u>\$ 24,630</u>	<u>\$ 293,634</u>	<u>\$ 76,060</u>	<u>\$ 563,543</u>	<u>\$ 105,025</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 14 - RESERVATIONS OF FUND BALANCE**

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 School District also receives resources from the State of Ohio which are restricted by State law to the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999 as well as the balance of the bus purchase allocation.

	Textbooks	Capital Improvements	Budget Stabilization	Total
Balance June 30, 1998	\$ 0	\$ 0	\$ 39,012	\$ 39,012
Current Year Set Aside Requirement	150,250	150,250	0	300,500
Workers Compensation Refund Received in Fiscal Year 1999	0	0	2,695	2,695
Current Year Offsets	0	(150,250)	0	(150,250)
Qualifying Expenditures	(150,250)	0	0	(150,250)
Balance June 30, 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,707</u>	<u>41,707</u>
Amount Restricted for Bus Purchase				<u>4,598</u>
Total Restricted Assets				<u>\$ 46,305</u>

Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional offsets and qualifying expenditures during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

**NOTE 15 - 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, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 272,266	\$ 1,424	\$ 273,690
Depreciation Expense	5,771	0	5,771
Operating Income (Loss)	(151,940)	159	(151,781)
Federal Donated Commodities	37,351	0	37,351
Operating Grants	89,675	0	89,675
Operating Transfers In	30,000	0	30,000
Net Income (Loss)	(458)	159	(299)
Contributed Capital - Other Funds	3,137	0	3,137
Fixed Asset Additions	7,412	0	7,412
Fixed Asset Reductions	14,915	0	14,915
Net Working Capital	(26,407)	393	(26,014)
Total Assets	86,595	393	86,988
Total Equity	11,686	393	12,079

**NOTE 16 - 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 the purpose of 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. 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.

**C. Joint Recreation Board**

The School District and the Village of Swanton participate in a Joint Recreation Board created under the provision of Ohio Revised Code § 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

The degree of control exercised by the School District is limited to its representation on the Joint Recreation Board.

**NOTE 17 - 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 § 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.

**NOTE 18 - 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 Local School District Board of Education. The Board of Trustees possesses its 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. Financial information can be obtained from the Swanton Public Library, Rita A. Bayer, Clerk/Treasurer, 305 Chestnut Street, Swanton, Ohio 43558.

**NOTE 19 - STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program" which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,842,989 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**NOTE 20 - YEAR 2000 ISSUE**

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the School District's operations.

The School District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary for conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting.

The School District uses the State of Ohio Uniform School Accounting System software for financial reporting, and the State of Ohio Uniform Staff Payroll System software for payroll and employee benefits. The State is responsible for remediating these systems and for any costs associated with this project.

The State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). Further, the State of Ohio distributes resources to the School District in the form of "foundation payments" and federal and state grant payments. The State is responsible for remediating these systems and for any costs associated with this project.

Fulton County collects property taxes for distribution to the School District. Fulton County is responsible for remediating the tax collection system and for any costs associated with the tax collection system.

To the best of management's knowledge and belief, as of January 19, 2000, the School District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**NOTE 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 is 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, 1999.

**B. Litigation**

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Swanton Local School District  
Fulton County  
108 North Main Street  
Swanton, Ohio 43558-1032

To the Board of Education:

We have audited the financial statements of Swanton Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated January 19, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Swanton Local 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10126-001. We also noted an immaterial instance of noncompliance that we have reported to management of the Swanton Local School District in a separate letter dated January 19, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated January 19, 2000.

Swanton Local School District  
Fulton County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 19, 2000

**SCHEDULE OF FINDINGS  
JUNE 30, 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10126-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal office is attached. The fiscal officer must certify the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance.

This section also provides two exceptions to the above requirement under the "Then and Now" Certificate:

1. If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was both at the time of the contract or order and at the time of the certificate appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
2. If the amount involved is less than one thousand dollars, the fiscal officer (Treasurer) may authorize it to be paid without the affirmation of the Board of Education.

Twenty-four percent of the expenditures tested were not properly certified. We recommend the Fiscal Officer (Treasurer) certify the amount required to meet a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the appropriate fund free from any previous encumbrance. In instances where prior certification is not practical, we recommend issuance of a "Then and Now" certificate.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
FEBRUARY 8, 2000**