



**Auditor of State
Betty Montgomery**

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

Table of Contents

Title	Page
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund.....	17
Statement of Fiduciary Net Assets - Fiduciary	18
Notes to the Basic Financial Statements	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Schedule of Findings	47
Schedule of Prior Audit Findings	50

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District is facing certain financial difficulties. These conditions, and management's plans to address these conditions, are disclosed in Note 23.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

May 17, 2005

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

The discussion and analysis of the Swanton Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets increased \$346,877.
- General revenues accounted for \$12,809,747, or 92 percent of all revenues. Program specific revenues in the form of charges for services and sales; and operating grants and contributions accounted for \$1,092,298 or 8 percent of total revenues of \$13,902,045.
- The District's major funds included the General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund.
- The General Fund had \$10,867,965 in revenues and \$10,899,099 in expenditures and other financing uses. The General Fund balance decreased \$31,134 from the prior fiscal year.
- The Bond Retirement Debt Service Fund had \$5,431,243 in revenues and other financing sources and \$5,325,086 in expenditures. The Bond Debt Service Fund balance increased \$106,157 from the prior fiscal year. The revenue generated from the Debt Service Fund is used to pay for the current portion of bonded debt.
- The Permanent Improvement Capital Projects Fund had \$348,997 in revenues and other financing sources and \$452,338 in expenditures and other financing uses. The Permanent Improvement Capital Projects Fund balance decreased \$103,341 from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund, the Bond Debt Service Fund, and the Permanent Improvement Capital Projects Fund are the only three major funds.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Reporting the District's Fiduciary Responsibilities - The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. These activities are reported in an agency fund. All of the District fiduciary activities are reported in separate Statement of Fiduciary Net Assets in accompanied financial statements. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance the operation.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

The District as a Whole

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 91.9 percent of total governmental activities revenue. Tax revenues include monies from District voter approval of the Permanent Improvement levy renewed in 2003. Reappraisal of Real Estate property values takes place every six years and is known as the triennial update. The District is scheduled for the triennial update in calendar year 2005.

Table 1 provides a summary of the District's net assets for fiscal year 2004. A comparative analysis of fiscal year 2004 to 2003 follows:

Table 1
Net Assets
Governmental Activities

	2004	2003
Assets		
Current and Other Assets	\$ 9,476,007	\$ 6,967,040
Capital Assets, Net	19,745,710	20,216,801
<i>Total Assets</i>	29,221,717	27,183,841
Liabilities		
Current and Other Liabilities	8,552,032	7,466,357
Long-Term Liabilities	18,835,002	18,229,678
<i>Total Liabilities</i>	27,387,034	25,696,035
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,919,635	2,750,264
Restricted	2,055,106	2,274,998
Unrestricted	(3,140,058)	(3,537,456)
<i>Total</i>	\$ 1,834,683	\$ 1,487,806

Table 2 reflects the changes in net assets for fiscal year 2004. A comparative analysis of fiscal year 2004 to 2003 follows:

Table 2
Change in Net Assets
Governmental Activities

	2004	2003
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 679,009	\$ 583,270
Operating Grants and Contributions	413,289	674,780
Capital Grants and Contributions	-	17,500
<i>Total Program Revenues</i>	1,092,298	1,275,550

(Continued)

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 2 (Continued)
Change in Net Assets
Governmental Activities

	2004	2003
General Revenues:		
Property Taxes	6,750,345	6,249,929
Grants and Entitlements	5,609,437	5,165,487
Interest	3,532	182,383
Gifts and Donations	174,110	57,845
Miscellaneous	272,323	315,719
<i>Total General Revenues</i>	12,809,747	11,971,363
<i>Total Revenues</i>	13,902,045	13,246,913
Expenses		
Instruction	6,756,456	7,018,476
Support Services:		
Pupils	390,609	708,486
Instructional Staff	466,971	448,063
Board of Education	121,087	111,797
Administration	1,164,964	1,098,551
Fiscal	460,143	366,681
Business	231	1,092
Operation and Maintenance of Plant	1,143,062	1,140,363
Pupil Transportation	593,670	795,408
Central	55,279	59,715
Non-Instructional	618,455	726,169
Extracurricular Activities	279,123	409,224
Capital Outlay	673,921	330,059
Interest and Fiscal Charges	831,197	833,905
<i>Total Expenses</i>	13,555,168	14,047,989
<i>Decrease in Net Assets</i>	\$ 346,877	\$ (801,076)

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Table 3 indicates the total cost of services and the net cost of services for governmental activities for fiscal year 2004 compared to 2003.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$ 6,756,456	\$ 6,290,476	\$ 7,018,476	\$ 6,491,718
Support Services:				
Pupils	390,609	390,609	708,486	624,540
Instructional Staff	466,971	466,971	448,063	422,240
Board of Education	121,087	121,087	111,797	111,797
Administration	1,164,964	1,163,319	1,098,551	1,080,116
Fiscal	460,143	454,543	366,681	360,925
Business	231	231	1,092	1,092
Operation and Maintenance of Plant	1,143,062	1,143,062	1,140,363	1,140,363
Pupil Transportation	593,670	593,670	795,408	795,408
Central	55,279	55,279	59,715	59,715
Non-Instructional	618,455	195,417	726,169	303,621
Extracurricular Activities	279,123	83,088	409,224	216,940
Capital Outlay	673,921	673,921	330,059	330,059
Interest and Fiscal Charges	831,197	831,197	833,905	833,905
<i>Total Expenses</i>	<u>\$ 13,555,168</u>	<u>\$ 12,462,870</u>	<u>\$ 14,047,989</u>	<u>\$ 12,772,439</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 92 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 91 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$17,819,610 and expenditures including other financing uses of \$17,702,501. The net negative change of \$31,134 in General Fund balance for the year indicates the District's inability to meet current costs. The net positive change of \$148,243 for all other funds for the year indicates the District's ability to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$11,210,787, while actual expenditures were \$10,619,527. The District usually over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual General Fund revenues were more than expenditures by \$1,568,388. During fiscal year 2004, interest revenue decreased significantly due to completion of building project in 2003 and decrease in

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

available balances to invest. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$19,745,710 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets see Note 8 to the basic financial statements.

Debt

At June 30, 2004, the District had \$14,736,100 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-five year period, with final maturity on December 1, 2027. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2004, the District had \$165,000 in a H.B. 264 Lighting Project. The loan was issued for a ten-year period, with final maturity on December 31, 2009. The loan is being retired through the Bond Retirement Debt Service Fund. A transfer from the Permanent Improvement Fund into the Debt Service Fund provides the necessary funds.

At June 30, 2004, the District issued \$1,100,000 in tax anticipation notes for general fund operating expenses. The notes were issued for a five-year period, with final maturity on December 1, 2009. The notes are being retired through the Bond Retirement Debt Service Fund with income tax collections from the General Fund.

For further information regarding the District's debt see the Note 14 to the basic financial statements.

Current Issues

The District was holding its own in the state of a declining economy and uncertainty in State funding. The District is a small rural community of 6,500 people in Northwest Ohio. It has a number of small businesses with agriculture and residential values being an important part of the economy.

The District is currently operating in the second year of the state biennium budget. According to the 2004 Local District Report Card, 51 percent of District revenue sources are from local funds, 47 percent from state funds and the remaining 2 percent is from federal funds. The total expenditure per pupil was calculated at \$6,833, which is an \$825 decrease from the 2003 report card.

In 1995, the District passed a three-year emergency levy to generate \$825,000 and was renewed in 2004. This levy provides a continuous source of funds for the financial operations.

In 2000, the District passed a 7.44 mil Bond Issue to build a new high school, renovate, and add on to the Park and Crestwood Elementary schools. This project was completed in fiscal year 2003.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

The District was placed in fiscal caution in October 2003. The Board of Education made cuts equivalent to approximately \$1,600,000 in fiscal year 2004. This equates to approximately 40 full time positions. The District residents passed a five-year 1.25 percent income tax on March 2, 2004, collection of these taxes will not start until Jan 2005. In addition the District received a catastrophic grant in the amount of \$212,414 from Ohio Department of Education.

The District also renewed a 3.3 mill permanent improvement levy in 2003. This generates approximately \$339,000 additional revenue to be used for maintaining, equipping, and improving facilities of the District. This issue has been renewed four times.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cheryl Swisher, Treasurer, Swanton Local School District, and 108 North Main Street, Swanton, Ohio 43558.

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**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2004**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,213,739
Materials and Supplies Inventory	8,956
Receivables:	
Accounts	12,546
Intergovernmental	82,274
Taxes	7,158,492
Capital Assets	
Non-Depreciable Capital Assets	451,991
Depreciable Capital Assets, net	19,293,719
<i>Total Assets</i>	29,221,717
Liabilities	
Accounts Payable	176,056
Accrued Wages and Benefits	1,033,037
Intergovernmental Payable	194,648
Deferred Revenue	6,366,433
Claims Payable	781,858
Long-Term Liabilities:	
Due Within One Year	1,024,834
Due in More Than One Year	17,810,168
<i>Total Liabilities</i>	27,387,034
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,919,635
Restricted for Debt Service	1,233,528
Restricted for Capital Outlay	553,670
Restricted for Other Purposes	267,908
Unrestricted	(3,140,058)
<i>Total Net Assets</i>	\$ 1,834,683

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 5,384,380	\$ 214,544	\$ 70,724	\$ (5,099,112)
Special	1,300,220		180,712	(1,119,508)
Vocational	71,856			(71,856)
Support Services:				
Pupils	390,609			(390,609)
Instructional Staff	466,971			(466,971)
Board of Education	121,087			(121,087)
Administration	1,164,964		1,645	(1,163,319)
Fiscal	460,143		5,600	(454,543)
Business	231			(231)
Operation and Maintenance of Plant	1,143,062			(1,143,062)
Pupil Transportation	593,670			(593,670)
Central	55,279			(55,279)
Operation of Non-Instructional Services	618,455	268,430	154,608	(195,417)
Extracurricular Activities	279,123	196,035		(83,088)
Capital Outlay	673,921			(673,921)
Interest and Fiscal Charges	831,197			(831,197)
<i>Total Governmental Activities</i>	<u>\$ 13,555,168</u>	<u>\$ 679,009</u>	<u>\$ 413,289</u>	<u>(12,462,870)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	5,142,337
Property Taxes, Levied for Capital Outlay	311,679
Property Taxes, Levied for Debt Service	1,251,948
Property Taxes, Levied for Recreation	44,381
Grants and Entitlements not Restricted to Specific Programs	5,609,437
Gifts and Donations	174,110
Investment Earnings	3,532
Miscellaneous	272,323
<i>Total General Revenues</i>	<u>12,809,747</u>
<i>Change in Net Assets</i>	346,877
Net Assets Beginning of Year	1,487,806
<i>Net Assets End of Year</i>	<u>\$ 1,834,683</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 124,816	\$ 1,081,480	\$ 516,372	\$ 337,613	\$ 2,060,281
Materials and Supplies Inventory				8,956	8,956
Receivables:					
Accounts	11,703			843	12,546
Intergovernmental				57,274	57,274
Taxes	5,390,267	1,360,788	347,530	59,907	7,158,492
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	153,458				153,458
Advances to Other Funds	25,000				25,000
Total Assets	\$ 5,705,244	\$ 2,442,268	\$ 863,902	\$ 464,593	\$ 9,476,007
Liabilities					
Accounts Payable	\$ 142,144		\$ 12,687	\$ 21,225	\$ 176,056
Accrued Wages and Benefits	954,748			78,289	1,033,037
Intergovernmental Payable	160,530			9,118	169,648
Matured Compensated Absences Payable	61,655				61,655
Deferred Revenue	5,161,996	\$ 1,290,748	332,690	88,882	6,874,316
Claims Payable	781,858				781,858
Notes Payable	1,100,000				1,100,000
Advances from Other Funds				25,000	25,000
Total Liabilities	8,362,931	1,290,748	345,377	222,514	10,221,570
Fund Balances					
Reserved for:					
Encumbrances	48,345		189,896	15,985	254,226
Advances	25,000				25,000
Property Taxes	228,271	70,040	14,840	5,961	319,112
Textbooks and Instructional Materials	153,458				153,458
Unreserved, Undesignated, Reported in:					
General Fund	(3,112,761)				(3,112,761)
Special Revenue Funds				207,369	207,369
Debt Service Funds		1,081,480			1,081,480
Capital Projects Funds			313,789	12,764	326,553
Total Fund Balances	(2,657,687)	1,151,520	518,525	242,079	(745,563)
Total Liabilities and Fund Balances	\$ 5,705,244	\$ 2,442,268	\$ 863,902	\$ 464,593	\$ 9,476,007

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances		\$ (745,563)
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		19,745,710
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Property Taxes Receivable	<u>507,883</u>	507,883
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(99,670)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(16,901,100)	
Compensated Absences Payable	(561,494)	
Capital Leases Payable	<u>(111,083)</u>	
		<u>(17,573,677)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 1,834,683</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property and Other Local Taxes	\$ 5,061,770	\$ 1,227,227	\$ 306,781	\$ 44,975	\$ 6,640,753
Intergovernmental	5,344,033	147,201	37,509	459,047	5,987,790
Interest	3,402			130	3,532
Tuition and Fees	184,084			26,166	210,250
Rent	4,016				4,016
Extracurricular Activities				196,025	196,025
Gifts and Donations	19,602			154,508	174,110
Customer Sales and Services	288			268,430	268,718
Miscellaneous	250,770			21,553	272,323
<i>Total Revenues</i>	<u>10,867,965</u>	<u>1,374,428</u>	<u>344,290</u>	<u>1,170,834</u>	<u>13,757,517</u>
Expenditures					
Current:					
Instruction:					
Regular	5,143,827			115,019	5,258,846
Special	1,202,716			101,469	1,304,185
Vocational	71,405				71,405
Support Services:					
Pupils	393,901			9,918	403,819
Instructional Staff	405,263			6,952	412,215
Board of Education	219,631				219,631
Administration	1,053,988			3,403	1,057,391
Fiscal	422,162	15,925	3,874	8,831	450,792
Business	231				231
Operation and Maintenance of Plant	1,139,251				1,139,251
Pupil Transportation	537,308			6,082	543,390
Central	55,279				55,279
Operation of Non-Instructional Services	2			617,123	617,125
Extracurricular Activities	129,860			157,181	287,041
Capital Outlay			410,184		410,184
Debt Service:					
Principal	100,462	4,543,900			4,644,362
Interest		765,261			765,261
<i>Total Expenditures</i>	<u>10,875,286</u>	<u>5,325,086</u>	<u>414,058</u>	<u>1,025,978</u>	<u>17,640,408</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(7,321)</u>	<u>(3,950,658)</u>	<u>(69,768)</u>	<u>144,856</u>	<u>(3,882,891)</u>
Other Financing Sources and (Uses)					
Transfers In		56,815	4,707	571	62,093
Proceeds from the Sale of Notes		4,000,000			4,000,000
Transfers Out	(23,813)		(38,280)		(62,093)
<i>Total Other Financing Sources and Uses</i>	<u>(23,813)</u>	<u>4,056,815</u>	<u>(33,573)</u>	<u>571</u>	<u>4,000,000</u>
<i>Net Change in Fund Balances</i>	(31,134)	106,157	(103,341)	145,427	117,109
Fund Balance (Deficit) at Beginning of Year	(2,626,553)	1,045,363	621,866	96,652	(862,672)
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (2,657,687)</u>	<u>\$ 1,151,520</u>	<u>\$ 518,525</u>	<u>\$ 242,079</u>	<u>\$ (745,563)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds **\$ 117,109**

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

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

Capital Outlay - Depreciable Capital Assets	163,999	
Depreciation	<u>(635,090)</u>	(471,091)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	109,592	
Intergovernmental	<u>34,936</u>	144,528

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

4,644,362

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Capital Appreciation Interest & Principal Interest Reclassified		(65,936)
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Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	14,133	
Compensated Absences Payable	<u>(36,228)</u>	(22,095)

Other financing sources in governmental funds increase long-term liabilities in the statement of net assets

Proceeds from Notes	<u>(4,000,000)</u>	<u>(4,000,000)</u>
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<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 346,877</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property and Other Local Taxes	\$ 5,360,000	\$ 5,104,500	\$ 5,291,806	\$ 187,306
Intergovernmental	5,075,000	5,434,000	5,344,033	(89,967)
Interest	30,000	10,000	3,402	(6,598)
Tuition and Fees	84,825	168,400	184,009	15,609
Rent	6,800	5,000	4,016	(984)
Gifts and Donations	25,150	19,000	19,602	602
Customer Sales and Services	410	300	288	(12)
Miscellaneous	600,250	561,000	236,094	(324,906)
<i>Total Revenues</i>	<u>11,182,435</u>	<u>11,302,200</u>	<u>11,083,250</u>	<u>(218,950)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,252,285	5,050,565	4,972,651	77,914
Special	61,885	1,198,727	1,197,893	834
Vocational	91,255	71,275	69,618	1,657
Support Services:				
Pupils	453,759	433,405	413,353	20,052
Instructional Staff	640,108	599,324	481,137	118,187
Board of Education	10,602	222,647	222,646	1
Administration	922,729	1,108,467	1,006,510	101,957
Fiscal	272,419	439,089	429,824	9,265
Business	474	750	731	19
Operation and Maintenance of Plant	919,332	1,144,376	1,095,214	49,162
Pupil Transportation	609,116	561,710	525,193	36,517
Central	47,772	55,000	54,212	788
Extracurricular Activities	256,099	136,312	126,732	9,580
<i>Total Expenditures</i>	<u>9,537,835</u>	<u>11,021,647</u>	<u>10,595,714</u>	<u>425,933</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,644,600</u>	<u>280,553</u>	<u>487,536</u>	<u>206,983</u>
Other Financing Sources and (Uses)				
Refund of Prior Year Expenditures	1,500	60	4,665	4,605
Proceeds from the Sale of Notes	-	1,100,000	1,100,000	-
Transfers Out	(351,448)	(189,140)	(23,813)	165,327
<i>Total Other Financing Sources and Uses</i>	<u>(349,948)</u>	<u>910,920</u>	<u>1,080,852</u>	<u>169,932</u>
<i>Net Change in Fund Balances</i>	1,294,652	1,191,473	1,568,388	376,915
Fund Balance (Deficit) at Beginning of Year	(1,499,931)	(1,499,931)	(1,499,931)	-
Prior Year Encumbrances Appropriated	310,251	310,251	310,251	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 104,972</u>	<u>\$ 1,793</u>	<u>\$ 378,708</u>	<u>\$ 376,915</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2004**

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 29,741
<i>Total Assets</i>	<u>\$ 29,741</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	\$ 29,741
<i>Total Liabilities</i>	<u>\$ 29,741</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1887 and serves an area of approximately forty-two square miles. It is located in Fulton and Lucas Counties, and includes all of the Village of Swanton and portions of Fulton, Harding, Spencer, Swan Creek, and Swanton Townships. The District is the 360th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 80 classified employees, 107 certified teaching personnel, and six administrative employees who provide services to 1,537 students and other community members. The 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 District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Swanton Local School District, this includes general operations, food service, and student-related activities of the District.

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

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

Saint Richards Catholic School

Within the 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 District, as directed by the parochial school. The activity is reflected in a special revenue fund of the District.

The District is associated with five jointly governed organizations, two insurance pools, and a related organization. These organizations are the Northwest Ohio Computer Association, Northern Buckeye Education Council, Joint Recreation Board, the Northwestern Ohio Educational Research Council, Inc., Penta County Career Center, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, Ohio Mid-Eastern Regional Education Service Agency Health Benefits Program (OME-RESA), and the Swanton Public Library. Information about these organizations is presented in Notes 17, 18, and 19 to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, the Bond Retirement Fund, and the Permanent Improvement Capital Projects Fund are the District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent Improvement Capital Projects Fund - The Permanent Improvement Capital Projects Fund is 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).

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund is used to account for student activities.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets.

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "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. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

Expenditures/Expenses

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

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.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. As permitted by state statute, the County Budget Commission waived the requirement that the District adopt and submit a tax budget. The Budget Commission required the District to provide the five year forecast and detail of debt issues with amortization schedules in lieu of the tax budget.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, and function level of expenditures for the General fund and at the fund level for all other funds which are the legal levels of budgetary control. (State statute permits temporary appropriation to be effective until no later than October 1 of each year.)

Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed appropriations at the legal level of control.

4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which reallocate, increased or decreased the original appropriated amounts.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level, or function level.

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 fund financial statements, encumbrances outstanding at year-end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2004, the District's investments were limited to repurchase agreements. Repurchase agreements are reported at cost.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2004 was \$3,402, which included \$636 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditure when purchased, except for the Food Service Fund. Inventories of the Food Service Fund consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for textbooks and instructional materials.

I. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital 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 values as of the date received. The District's capitalization threshold is five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

K. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the termination method. An

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. These compensated absences are measured using rates in effect at June 30, 2004.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

N. Fund Balance Reserves

The 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, advances, textbooks, 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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

O. Interfund Transactions

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

P. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

3. BUDGETARY BASIS OF ACCOUNTING

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Net Change in Fund Balance Major Governmental Fund	
	General
GAAP Basis	\$ (31,134)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	459,924
Accrued FY 2004, Not Yet Received in Cash	(244,639)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(1,773,019)
Accrued FY 2004, Not Yet Paid in Cash	3,205,600
Encumbrances Outstanding at Year End (Budget Basis)	(48,344)
Budget Basis	\$ 1,568,388

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the 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;

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time, and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

At fiscal year end, the carrying amount of the District's deposits was \$109,480 and the bank balance was \$137,809. Of the bank balance, \$107,251 was covered by federal depository insurance and \$30,558 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. At June 30, 2004, repurchase agreements, category 3 investments, had a carrying amount and fair value of \$2,134,000.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 2,243,480	\$ -
Repurchase Agreements	(2,134,000)	2,134,000
GASB Statement No. 3	\$ 109,480	\$ 2,134,000

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property tax revenue received in calendar year 2004 represents the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes in calendar year or 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Fulton and Lucas Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$228,271 in the general fund, \$70,040 in the debt service fund, \$14,840 in the capital projects fund, and \$5,961 in other governmental funds. The amount available as an advance at June 30, 2003 was \$458,307 in the general fund, \$133,677 in the debt service fund, \$30,246 in the capital projects fund and \$15,292 in other governmental funds.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 134,127,950	74%	\$ 142,536,160	75%
Industrial/Commercial	23,410,880	13%	23,857,090	13%
Public Utility	8,321,970	5%	7,990,260	4%
Tangible Personal	15,069,001	8%	15,898,230	8%
Total Assessed Value	<u>\$ 180,929,801</u>	<u>100%</u>	<u>\$ 190,281,740</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$70.31</u>		<u>\$71.31</u>	

6. INCOME TAX

On March 2, 2004, the voters of the District passed a 1.25 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. The District will start receiving these tax receipts in April 2005.

7. RECEIVABLES

Receivables at June 30, 2004, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, accrued interest, and loans. All receivables are considered collectible in

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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.

A summary of the principal items of receivables on the Statement of Net Assets follows:

	Amount
Governmental Activities:	
Taxes	\$ 7,158,492
Intergovernmental	82,274
<i>Total Intergovernmental Receivables</i>	<u>\$ 7,240,766</u>

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 451,991	\$ -	\$ -	\$ 451,991
<i>Total Nondepreciable Capital Assets</i>	451,991	-	-	451,991
Depreciable Capital Assets				
Land Improvements	272,412	-	-	272,412
Buildings and Building Improvements	19,337,578	128,579	-	19,466,157
Furniture, Fixtures, and Equipment	2,050,933	35,420	-	2,086,353
Vehicles	1,277,878	-	-	1,277,878
Books	907,151	-	-	907,151
<i>Total Depreciable Capital Assets</i>	23,845,952	163,999	-	24,009,951
Less Accumulated Depreciation				
Land Improvements	182,094	4,599	-	186,693
Buildings and Building Improvements	2,435,120	445,254	-	2,880,374
Furniture, Fixtures, and Equipment	264,093	64,391	-	328,484
Vehicles	799,170	56,217	-	855,387
Books	400,665	64,629	-	465,294
<i>Total Accumulated Depreciation</i>	4,081,142	635,090	-	4,716,232
Depreciable Capital Assets, Net	19,764,810	(471,091)	-	19,293,719
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 20,216,801</u>	<u>\$ (471,091)</u>	<u>\$ -</u>	<u>\$ 19,745,710</u>

Depreciation expense was charged to governmental functions as follows:

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Instruction:		
Regular		\$ 104,162
Support Services:		
Instructional Staff		43,305
Administration		1,550
Operation and Maintenance of Plant		1,890
Pupil Transportation		54,667
Non-Instruction		1,352
Extracurricular		428
Capital Outlay		427,736
<i>Total Depreciation Expense</i>		\$ 635,090

9. RESTRICTED ASSETS

The \$153,458 amount, which is reflected on the balance sheet, is restricted for textbook and instructional materials.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted for the following coverages:

Coverages provided by Nationwide/Wausau Insurance Companies:

General Liability		
Per Occurrence		\$ 2,000,000
Total per Year		2,000,000
Fire Damage (per occurrence)		500,000
Medical Expense (per person)		10,000
Umbrella Liability		2,000,000

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)		100,000

Coverages provided by CNA Insurance Company:

Building and Contents-replacement cost (\$1,000 deductible)		\$37,704,200
Boiler and Machinery (\$5,000 deductible)		Total Property Limit
Inland Marine Coverage (\$100 deductible)		
Audio/Visual Equipment		94,361
Musical Equipment		139,032
Athletic Equipment		50,000
Electronic Data Processing Equipment		850,000
Crime Coverage (no deductible)		
Inside Premises		Various
Outside Premises		Various

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

For fiscal year 2004, the District participated in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays the group rate.

Medical, prescription and dental insurance is offered to employees and administered by a claims processing pool. Starting in June 2002 the District became a member of the OME-RESA Health Benefits Program a claims servicing pool, in which monthly premiums are paid to the fiscal agent who in turns pays the claims on the District's behalf. The claims liability of \$781,858 reported at June 30, 2004 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims be reported. The following table reflects changes in claims activity for fiscal years 2003 and 2004:

Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$ 17,653	\$ 1,596,944	\$ 1,164,811	\$ 449,786
2004	449,786	1,664,843	1,332,771	781,858

Health Care Benefits

The District offers medical, life, and dental insurance to most employees. These insurance benefits are partially self-funded through OME-RESA Health Benefits Plan.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently selected the DC or Combined Plan. Existing member with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$871,800, \$887,773, and \$898,199, respectively; 85 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$130,624.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$292,555, \$286,651, and \$248,129, respectively; 60 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. The unpaid contribution for fiscal year 2004 is \$117,072.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

12. POSTEMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year 2004, the Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .35072, then adding the surcharge due as of June 30, 2004, as certified to your district by SERS.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. At June 30, 2004, a liability of \$61,655 has been provided in the General Fund for earned, but unused vacation leave that will be paid to the employees.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum payout of 58.75 days for all employees. At June 30, 2004, a current liability of \$67,426 has been provided in the General Fund for earned, but unused sick leave that will be paid to the employees.

The District has recorded an estimated liability of \$434,068 for severance pay and sick leave payable at June 30, 2004, in accordance with GASB No. 16, "Accounting for Compensated Absences." The amount has been recorded in the Government Wide Basic Financial Statements since the liability will not require the use of current expendable available financial resources.

B. Early Retirement Incentive

The District's Board of Education has approved an Early Retirement Incentive program for SERS employees. Participation is open to those employees who are at least fifty years old, qualify for retirement with the years purchased by the Board, and agree to retire within ninety days after notification that credit has been purchased. The credit cannot exceed 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 2004.

The Board has not limited the number of employees participating in the plan in any one year. All payments are made through the payroll process to the credit of the retired employee. Early retirement incentive payments have been reclassified and are reflected as debt service expenditures in the general-purpose financial statements for governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. There were early retirement incentive payments made during fiscal year 2004, and there is no outstanding liability as of June 30, 2004.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

C. Special Termination Benefits

For STRS employees, a cash incentive of \$15,000 is paid to all members who elect to retire under normal circumstances in the first year they are eligible. The employee has the option of participating with a Board approved annuity company for deferring all or a portion of the incentive payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year. To qualify, the employee must have at least fifteen years of service with the 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 2004. There is a current liability of June 30, \$ 60,000.

14. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

	Interest Rate	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04	Due within One Year
1999 Energy Conservation Loan	4.60%	\$ 195,000	\$ -	\$ 30,000	\$ 165,000	\$ 30,000
2001 Series Bond Issue	3 to 5.25%	15,184,064	62,036	510,000	14,736,100	595,000
2002 School Improvement Notes	2.23%	2,000,000	-	2,000,000	-	-
2003 School Improvement Notes	2.38%	-	2,000,000	2,000,000	-	-
2004 School Improvement Notes	2.46%	-	2,000,000	-	2,000,000	-
Tax Anticipation Note	3.37%	-	1,100,000	-	1,100,000	-
Capital Lease	2.90%	211,545	-	100,462	111,083	111,083
Compensated Absences Payable		525,266	623,149	525,266	623,149	189,081
Intergovernmental Payable		113,803	99,670	113,803	99,670	99,670
<i>Total General Long-Term Obligations</i>		<u>\$ 18,229,678</u>	<u>\$ 5,884,855</u>	<u>\$ 5,279,531</u>	<u>\$ 18,835,002</u>	<u>\$ 1,024,834</u>

The beginning balance of compensated absences was restated due to correction of an error resulting in a decrease in the amount of \$ 891,806, from \$ 1,416,825 to \$ 525,266.

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

1999 Energy Conservation Improvement Bonds - On January 27, 1999, the District obtained a loan, in the amount of \$293,634, to provide energy conservation measures for the District. The loan was obtained under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a ten-year period, with final maturity during fiscal year 2008. The loan is being repaid through the Bond Retirement Debt Service Fund.

The District reissued the 2002 School Improvement Note for \$2,000,000. This note is the 2003 School Improvement Note. The 2003 School Improvement Note was also reissued with the 2004 School Improvement Note for \$2,000,000 which was re-issued in Jan 2005 as bond's maturing in 2025.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The District issued a Tax Anticipation Note for \$1,100,000. This note will mature on December 1, 2009.

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

The District's voted debt margin was \$2,474,357 with an unvoted debt margin of \$190,282 at June 30, 2004.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, were as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$ 625,000	\$ 702,282	\$ 1,327,282
2006	910,000	698,730	1,608,730
2007	995,000	665,780	1,660,780
2008	450,000	628,688	1,078,688
2009	555,000	611,917	1,166,917
2010-2014	2,353,100	3,344,574	5,697,674
2015-2019	3,590,000	2,275,855	5,865,855
2020-2024	4,595,000	1,253,175	5,848,175
2025-2026	1,930,000	149,100	2,079,100
<i>Total</i>	<u>\$ 16,003,100</u>	<u>\$ 10,330,101</u>	<u>\$ 26,333,201</u>

15. CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of computers.

The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded. Principal payments in the 2004 fiscal year totaled \$100,462. This amount is reflected as debt service principal retirement in the General Fund.

The following is an analysis of the equipment under capital lease as of June 30, 2004:

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Government Wide Capital Assets	
Computers, Carrying Value	<u><u>\$ 322,941</u></u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

Year Ending June 30,	Computers
2005	\$ 111,396
Less: Amount Representing Interest	(3,796)
Present Value of Future Minimum Lease Payments	<u><u>\$ 107,600</u></u>

The District does not have a capitalized lease obligation after fiscal year 2005.

16. SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

	Textbooks	Capital Improvements
Cash Balance Carried Forward From June 30, 2003	\$ 167,909	\$ -
Current Year Set Aside Requirement	204,346	204,346
Qualifying Expenditures	(218,797)	(204,346)
Total	<u><u>\$ 153,458</u></u>	<u><u>\$ -</u></u>
Cash Balance Carried Forward To FY 2005	<u><u>\$ 153,458</u></u>	
Total Restricted Assets	<u><u>\$ 153,458</u></u>	

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

The District has not established the required reserve in its general fund. By not establishing a separate accounting of the textbook reserve it is difficult for the District to determine compliance with the requirements of the textbook reserve. An audit adjustment of \$153,458 was required to report the amount of the required set aside as a reserve as of June 30, 2004.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the six counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Robin Pfund, 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, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Northwestern Ohio Educational Research Council, Inc.

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

D. Joint Recreation Board

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

E. Penta Career Center

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

18. INSURANCE POOL

A. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

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

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

B. Ohio Mid-Eastern Regional Education Service Agency Health Benefits Program

The District participates in Ohio Mid-Eastern Regional Education Service Agency Health Benefits Program (the Pool), a claims processing pool comprised of the fifty members. Each participant is a member of the assembly. The Pools business affairs are conducted by a nine-member Board of Directors elected from the OME-RESA assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Pool acts as a claims servicing agent.

19. RELATED ORGANIZATION

Swanton Public Library - The Swanton Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Swanton Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the 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.

20. SCHOOL FUNDING DECISION

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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

21. INTERFUND TRANSFERS

During the year ended June 30, 2004, the General Fund transferred \$4,707 and \$18,535 to Permanent Improvement and Debt Service major funds. Also General fund transferred \$ 571 to other non-major funds. The Permanent Improvement major fund transferred \$38,280 to the Debt Service major fund due to completion of High School Building.

22. CONTINGENCIES

Grants

The 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 District at June 30, 2004.

23. FINANCIAL CONDITION

On October 6, 2003 the District was placed into fiscal caution by the Ohio Department of Education as allowed under Ohio Revised Code 3316.031 (B)(3). As of June 30, 2004 the District's General Fund had a cash balance of \$278,274, of which \$153,458 is restricted by Ohio law to textbook purchases. In FY 2004 the Board of Education made \$1,600,000 in personnel cuts and other operating expenses. The District residents passed a five-year 1.25 percent income tax on the March 2, 2004. This income tax is estimated to generate \$2,200,000 per year over the life of the levy. The District will start receiving the income tax revenue in 2005. The District has a fiscal recovery plan that is monitored monthly by the Ohio Department of Education.

24. ACCOUNTABILITY

At June 30, 2004, the General Fund had a deficit fund balance of \$2,657,687. The Food Service, Summer Intervention, and Title II-A funds had deficit fund balances of \$65,325, \$418, and \$6,797, respectively. These were created by the application of generally accepted accounting principles.

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

25. CORRECTION OF AN ERROR AND RESTATEMENT OF NET ASSETS

In prior years, the School District had miscalculated compensated absences which resulted in overstating the liability for sick leave. The restatement due to incorrect calculation had the following effect on net assets of governmental activities as they were previously reported.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Total Governmental Activities
Governmental Activities Net Assets at June 30, 2003	\$ 596,197
Compensated Absences	891,609
Restated Governmental Activities Net Assets at June 30, 2003	<u>\$ 1,487,806</u>



**Auditor of State
Betty Montgomery**

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

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 the governmental activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, Ohio (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 17, 2005. Our opinion disclosed the District is experiencing financial difficulties and that the Ohio Department of Education placed the District in Fiscal Caution status. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-002 and 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the District's management dated May 17, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the District's management dated May 17, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education, and it is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

May 17, 2005

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Findings
June 30, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

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

The District has not established the required reserve in its general fund. By not establishing a separate accounting of the textbook reserve it is difficult for the District to determine compliance with the requirements of the textbook reserve. In addition, this has resulted in the District overstating available resources to the County Budget Commission. An audit adjustment of \$153,458 was required to report the amount of the required set aside as a reserve as of June 30, 2004.

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

FINDING NUMBER 2004-002

Reportable Condition - Capital Assets

Testing of the District's capital assets records disclosed the following deficiencies:

- The fiber optic lines and equipment owned by the Northwest Ohio Computer Association (NWOCA) in the amount of \$442,008 was included as part of capital assets.
- Land was included as part of the depreciable capital assets and not shown separately as a non-depreciable asset. Also, not all of the parcels of land provided on the manual list maintained by the Treasurer were included in the Equipment Inventory System (EIS).
- Furniture, fixtures, and equipment acquisitions were included in the Building and Improvements category on the Capital Asset Schedule.
- Review of the depreciation schedule showed that not all assets were being depreciated and that the useful life of the asset is not consistent with the asset type. Total depreciation expense amounted to \$635,090. There is no policy regarding the manner depreciation expense should be allocated. The allocation of depreciation expense charged to the various functions did not have an overall material effect in the presentation of the expenses reported at the function level on the Statement of Activities.
- Although the district has a Fixed Asset and Management Policy, there are no written procedures for the proper processing of fixed asset acquisitions, deletions, transfers, categorization, and identification tagging of assets. Useful life in the policy does not agree with the Useful life within the (EIS).
- There is no specific tagging system. On the brief asset listing the new high school building along with most of the furniture and equipment that was bought for the building is included under one tag number.
- The District has contracted with an outside appraisal firm to perform a review of the District's capital assets and aid in the tracking of assets. The Fixed Asset Ledger prepared by the appraisal firm is dated November 5, 2003. No action has been taken to update the EIS from this report.

**FINDING NUMBER 2004-002
(Continued)**

Failure to employ adequate controls over the processing and recording of capital asset additions, deletions, transfers, and depreciation could result in the possible misappropriation of assets going undetected and misrepresentation of the School District's capital assets value on the financial statements. To maintain adequate safeguards over capital assets, and to reduce the risk of misstatement, we recommend the following:

- The Treasurer should maintain adequate documentation and reports for changes in capital assets including acquisitions, deletions, depreciation, and any other corrections. The documentation should be reviewed for accuracy and completeness.
- The Treasurer should post all known additions, deletions, categorical changes, and other corrections identified during our audit and reconcile the EIS system balances to the Fixed Asset Ledger report provided by the outside appraisal firm.
- Review capital assets for depreciable assets, correct depreciation computation, including useful life to develop consistent treatment of depreciation on assets and proper allocation of depreciation among expense functions.
- Develop and document specific procedures to be performed to accommodate the proper processing of capital asset acquisitions, deletions, transfers, and identification tagging of assets.

FINDING NUMBER 2004-003

Reportable Condition - Student Activities

Student activity funds consist of programs in which students participate and manage. Successful operation of such programs is dependent upon the formulation of sound policy and effective guidelines. Sales Project Forms (the Form) were either not used or partially completed by the student activities to monitor their fund raising activities. Also, not all supporting records pertaining to the student fundraising activities were retained by the Student Activity Advisors (the Advisors).

To strengthen internal controls, provide management with a profit measurement tool, and to prevent errors, irregularities, or misappropriation of assets from occurring and being undetected, we recommend the following:

- Management should compare their Student Activity Handbook with the Auditor of State's Guidelines for Developing Policies for Student Activity Programs, available at [www.auditor.state.oh.us/Publications/Manuals and Handbooks](http://www.auditor.state.oh.us/Publications/Manuals%20and%20Handbooks). The District should update their handbook if it does not address significant items addressed in the Auditor of State's publication.
- Student activity advisors carefully review the School Districts' Student Activity Handbook and related Board policies addressing the proper accounting and required documentation for student activity funds. Acknowledgment noting review and understanding of such policies from all advisors should be obtained and kept on file each year. This could be turned in with the student activity budgets submitted by advisors before each fiscal year.
- Instructions for proper completion of the Form should be included on the form.
- Forms should be completed for all student activities, inclusive of yearbook sales/activities. Top portion should be completed, reviewed, and approved prior to commencing the fundraising activity. The Form should be updated with quantity of goods ordered/sold, cost per unit, and proposed sales price. Upon completion of the activity, the bottom portion of the form should be completed with signature and information as to final purchase amount(s), returns, and total amount deposited with the Treasurer. School Advisors should retain all records supporting fundraising activities.

FINDING NUMBER 2004-003

- Management review of student activity financial accounts/records to ensure the Forms are on file and accurately completed for all fundraising activities. If such Forms are determined to be completed in error they should be investigated and corrected.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Prior Audit Findings
June 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Revised Code § 5705.14	Yes	
2003 -002	Ohio Revised Code § 5705.10	No	Partially corrected. Repeated in management letter.
2003 -003	Ohio Revised Code § 5705.36, Ohio Revised Code § 5705.13, Ohio Revised Code § 5705.38, Ohio Revised Code § 5705.39 Ohio Revised Code § 5705.40	Yes No Yes No Yes	No longer valid Partially corrected. Reported in management letter.
2003-004	Ohio Revised Code § 5705.41(B)	No	Partially corrected. Reported in management letter.
2003-005	Ohio Revised Code § 5705.391(B)	Yes	
2003-006	Ohio Revised Code § 3315.17 (A)	No	Repeated as Finding #2003-001.
2003-007	Minute Records	Yes	
2003-008	Fixed Assets	No	Repeated as Finding #2003-002.
2003-009	Investment Ledger	Yes	
2003-010	Student Activities	No	Repeated as Finding #2003-003.



**Auditor of State
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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
JUNE 14, 2005**