



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Switzerland of Ohio Local School District
Monroe County

Financial Forecast
For The Fiscal Year Ending June 30, 2001

Switzerland of Ohio Local School District
Monroe County

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We have examined the accompanying forecasted schedules of revenues, expenditures and changes in fund balance of the general fund of the Switzerland of Ohio Local School District for the fiscal year ending June 30, 2001. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared for the purpose of determining whether the Switzerland of Ohio Local will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purpose.

In our opinion, the forecasted schedules referred to above is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after its date.

The historical financial statements for the years ended June 30, 1998 and 1999 were audited by the Auditor of State's Office and we expressed an unqualified opinion on those financial statements in reports dated September 23, 1999 and February 8, 2000, respectively.

We have compiled the accompanying schedules of revenues, expenditures and changes in fund balances of the general fund for the fiscal year ended June 30, 2000, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed these financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

JIM PETRO
Auditor of State

January 23, 2001

Switzerland of Ohio Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ending June 30, 2001 Forecasted
General Fund

	<u>Fiscal Year 2001 Forecasted</u>
Revenues	
General Property Tax (Real Estate)	\$3,740,000
Tangible Personal Property Tax	4,991,000
Unrestricted Grants-in-Aid	7,508,000
Restricted Grants-in-Aid	794,000
Property Tax Allocation	508,000
All Other Revenues	562,000
Total Revenues	<u>18,103,000</u>
Other Financing Sources	
Transfers In	160,000
Advances In	197,000
All Other Financing Sources	9,000
Total Other Financing Sources	<u>366,000</u>
Total Revenues and Other Financing Sources	<u>18,469,000</u>
Expenditures	
Personal Services	10,086,000
Employees' Retirement/Insurance Benefits	3,259,000
Purchased Services	1,216,000
Supplies and Materials	610,000
Capital Outlay	230,000
Refund of Property Taxes	404,000
Debt Service:	
Principal - Notes	150,000
Principal - Solvency Assistance Fund Advances	681,000
Principal - State Loans	1,410,000
Principal - HB 264 Loans	135,000
Interest and Fiscal Charges	22,000
Other Objects	1,004,000
Total Expenditures	<u>19,207,000</u>
Other Financing Uses	
Operating Transfers Out	145,000
Other Financing Uses	14,000
Total Other Financing Uses	<u>159,000</u>
Total Expenditures and Other Financing Uses	<u>19,366,000</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(897,000)
Cash Balance July 1, 2000	<u>1,434,000</u>
Cash Balance June 30, 2001	537,000
Estimated Encumbrances June 30, 2001	356,000
Budget Stabilization Reserve	<u>108,000</u>
Unencumbered/ Unreserved Fund Balance June 30, 2001	<u><u>\$73,000</u></u>

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report.

Switzerland of Ohio Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 1998, 1999, and 2000 Actual;
For the Fiscal Year Ending June 30, 2001 Forecasted
General Fund

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
Revenues				
General Property Tax (Real Estate)	\$3,688,000	\$3,269,000	\$3,356,000	\$3,740,000
Tangible Personal Property Tax	4,251,000	4,984,000	4,912,000	4,991,000
Unrestricted Grants-in-Aid	6,032,000	7,655,000	7,520,000	7,508,000
Restricted Grants-in-Aid	586,000	987,000	859,000	794,000
Property Tax Allocation	491,000	498,000	509,000	508,000
All Other Revenues	515,000	545,000	714,000	562,000
Total Revenues	15,563,000	17,938,000	17,870,000	18,103,000
Other Financing Sources				
Proceeds from Sale of Notes	2,292,000	0	0	0
State Emergency Loans and Advancements	1,128,000	2,819,000	1,362,000	0
Transfers In	1,463,000	65,000	44,000	160,000
Advances In	0	0	144,000	197,000
All Other Financing Sources	4,000	7,000	22,000	9,000
Total Other Financing Sources	4,887,000	2,891,000	1,572,000	366,000
Total Revenues and Other Financing Sources	20,450,000	20,829,000	19,442,000	18,469,000
Expenditures				
Personal Services	9,742,000	9,792,000	9,986,000	10,086,000
Employees' Retirement/Insurance Benefits	2,930,000	3,085,000	3,049,000	3,259,000
Purchased Services	1,208,000	1,134,000	1,090,000	1,216,000
Supplies and Materials	484,000	525,000	603,000	610,000
Capital Outlay	152,000	119,000	267,000	230,000
Refund of Property Taxes	320,000	457,000	444,000	404,000
Debt Service:				
Principal - Notes	2,429,000	1,317,000	140,000	150,000
Principal - Solvency Assistance Fund Advances	0	0	1,130,000	681,000
Principal - State Loans	790,000	1,510,000	1,410,000	1,410,000
Principal - HB 264 Loans	135,000	135,000	135,000	135,000
Interest and Fiscal Charges	262,000	268,000	114,000	22,000
Other Objects	427,000	903,000	986,000	1,004,000
Total Expenditures	18,879,000	19,245,000	19,354,000	19,207,000
Other Financing Uses				
Operating Transfers Out	1,579,000	51,000	121,000	145,000
Other Financing Uses	1,000	0	0	14,000
Advances Out	0	144,000	197,000	0
Total Other Financing Uses	1,580,000	195,000	318,000	159,000
Total Expenditures and Other Financing Uses	20,459,000	19,440,000	19,672,000	19,366,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,000)	1,389,000	(230,000)	(897,000)
Cash Balance July 1	284,000	275,000	1,664,000	1,434,000
Cash Balance June 30	275,000	1,664,000	1,434,000	537,000
Estimated Encumbrances June 30	127,000	303,000	387,000	356,000
Reservations of Fund Balance				
Bus Purchase	17,000	0	0	0
Budget Reserve	108,000	108,000	108,000	108,000
Unencumbered/ Unreserved Fund Balance June 30	\$23,000	\$1,253,000	\$939,000	\$73,000

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report.

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Switzerland of Ohio Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of January 23, 2001, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying forecast was prepared for the purpose of determining whether the Switzerland of Ohio Local School District will incur an operating deficit for the current year under Section 3316.08 of the Ohio Revised Code and should not be used for any other purposes.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State law also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA), the textbook subsidy, and the activity of the debt service funds related to the general fund supported debt. Also, the general fund has been adjusted to eliminate the financial activity of the various funds that were combined with the general fund for external reporting purposes. The adjustments for these activities have generated differences with the audited financial statements for the fiscal years ended June 30, 1998 and 1999, and the compiled financial statements for the fiscal year ended June 30, 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$16,357,000	\$16,720,000	\$15,781,000
DPIA	461,000	823,000	734,000
Textbook Subsidy	39,000	43,000	0
Debt Service Activity Related to General Fund			
Supported Debt	3,777,000	3,250,000	2,929,000
Other Funds Included for External Reporting			
Purposes	(184,000)	(7,000)	(2,000)
Total Revenues and Other Sources per Forecast	20,450,000	20,829,000	19,442,000

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	16,519,000	15,834,000	16,470,000
DPIA	461,000	693,000	641,000
Textbook Subsidy	19,000	7,000	13,000
Debt Service Activity Related to General Fund Supported Debt	3,777,000	3,212,000	2,935,000
Other Funds Included for External Reporting Purposes	(190,000)	(3,000)	0
Encumbrances	(127,000)	(303,000)	(387,000)
Total Expenditures and Other Uses per Forecast	<u>20,459,000</u>	<u>19,440,000</u>	<u>19,672,000</u>
Excess of Revenues and Other Sources			
Over (Under) Expenditures and Other Uses	(9,000)	1,389,000	(230,000)
Cash Fund Balance at Beginning of Fiscal Year	<u>284,000</u>	<u>275,000</u>	<u>1,664,000</u>
Cash Fund Balance at End of Fiscal Year	275,000	1,664,000	1,434,000
Encumbrances at Fiscal Year End	(127,000)	(303,000)	(387,000)
Unencumbered Fund Balance at Fiscal Year End	<u><u>\$148,000</u></u>	<u><u>\$1,361,000</u></u>	<u><u>\$1,047,000</u></u>

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Governmental Funds

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

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

Proprietary Funds

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

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include an expendable trust fund and agency funds.

C. - Budgetary Process

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

Budget - A budget of estimated cash receipts and disbursements is submitted to the Monroe County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Switzerland of Ohio Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, tangible personal property, and manufactured home taxes. Advances may be requested from the Monroe, Belmont, and Noble County Auditors as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursements associated with the homestead and rollback exemptions is included in the forecasted amount for property tax allocation. The amount of the reimbursements associated with the \$10,000 personal property tax exemption is included in the forecasted amount for all other revenue.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, and the full tax rate are as follows:

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Tax Levies	Year Approved	Full Tax Rate (Mills)
Inside Millage	N/A	3.90
Continuing Operating	1971	16.60
Continuing Operating	1971	3.90
Continuing Operating	1973	1.30
Continuing Operating	1974	2.00
Continuing Operating	1980	2.70
5 Year Operating Renewal	2000	5.00
Total Tax Rate		\$35.40

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Monroe, Belmont, and Noble County Auditors. Based upon these estimates, the School District anticipates receiving \$3,740,000 in real estate tax revenue, which is an increase of \$384,000. The increase is due to the Monroe County Auditor certifying delinquent property taxes for collection in a more timely manner.

Personal Property Tax - Personal property tax revenues are generated from the property used in business and property used in public utilities. The personal property tax revenues are affected by businesses starting and closing, as well as the timing of the receipt of the June property tax settlement. As with general property taxes, personal property tax revenues are based upon information provided by the Monroe, Belmont, and Noble County Auditors. Based upon these estimates, the School District anticipates receiving \$4,991,000 in personal property tax revenue for the forecast period. The increase reflects a late fiscal year 2000 June personal property tax settlement received in the forecast period.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

B. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, and vocational education.

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

In 1998, State law set the base cost per pupil at \$4,063 and increased the rate each year thereafter, based on annual rate of inflation of two and eight-tenths percent, to \$4,177 for fiscal year 2000, and \$4,294 for fiscal year 2001.

The anticipated revenue for fiscal year 2001 is based on current estimates provided by the Ohio Department of Education. The anticipated decrease of \$12,000 is caused by a decrease in ADM of 113 students from the prior fiscal year.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consists of disadvantaged pupil impact aid (DPIA) and a bus purchase allowance in the amount of \$662,000, and \$132,000, respectively, which reflects a \$65,000 decrease from fiscal year 2000. Historically, the School District posted 100 percent of the DPIA funding as restricted grants-in-aid. Starting in fiscal year 2001, the School District is only posting 90 percent of the revenue as restricted grants-in-aid.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information provided by the Monroe, Belmont, and Noble County Auditors, is anticipated to decrease \$1,000 from the prior fiscal year.

E. - All Other Revenues

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Interest on Investments	\$211,000	\$202,000	(\$9,000)
Classroom Materials and Fees	113,000	1,000	(112,000)
Tuition	33,000	33,000	0
CAFS Reimbursement	80,000	80,000	0
Revenue in Lieu of Taxes	58,000	82,000	24,000
Miscellaneous	219,000	164,000	(55,000)
Totals	\$714,000	\$562,000	(\$152,000)

Interest on Investments is expected to decrease slightly from prior years. This is due to the anticipated decline in the cash balance as the fiscal year continues. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

The decrease in classroom materials and fees is due to Board action that resulted in pay-to-play (athletic participation) fees being eliminated in fiscal year 2001.

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

The increase of \$24,000 in revenue in lieu of taxes is due to a change in the posting of Wayne National Forest revenue. In fiscal year 2000, this revenue was posted in real estate taxes and for fiscal year 2001, it will be posted as revenue in lieu of taxes.

The majority of the decrease in miscellaneous revenue is due to educational charges (classroom material charges and sale of workbooks) being eliminated for fiscal year 2001.

F. - Transfers In

Transfers in forecasted in the amount of \$160,000 reflects a residual equity transfer from the Telecommunication Act Special Revenue Fund in the amount of \$15,000. Pursuant to Auditor of State Bulletin No. 2000-014, the School District no longer needs to account for the e-rate reimbursements in a separate fund. Also included in the forecasted amounts are transfers in from the DPIA fund in the amount of \$145,000 (See Transfers Out).

G. - Advances In

Advances in represents amounts loaned to other funds in the prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$197,000 which represents the repayment of advances from various funds.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, overtime, student workers, and board members' compensation. All employees receive their compensation on a bi-weekly basis. Historically, the certified, classified, and administrative staff levels have remained the same.

Certified (teacher) staff salaries are based on a negotiated contract which includes step increases and educational incentives. The contract covers the period of July 1, 1999, to June 30, 2002, and allows no base increases each year. Classified staff salaries are also based on a negotiated contract which includes step increases. The contract covers the period from January 1, 2000, to December 31, 2002, and allows no base increases in each year of the contract. Administrative salaries are set by the Board of Education.

The School District offers severance pay to all employees upon retirement. Severance pay for certified employees is up to one-fourth of the employee's accumulated sick leave to a maximum of 56 days and is made in one payment. Severance pay for classified employees is up to one-fourth of the employee's accumulated sick leave to a maximum of 240 days and is made in one payment. In addition, the School District offers super severance pay to certified employees who retire within the first year of their eligibility. Super severance pay for certified employees is up to 50 percent of the employee's accumulated sick leave to a maximum of 56 days made in two payments over a two year period.

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

Presented below is a comparison of salaries and wages for the fiscal year 2000 and the forecast period.

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Certified Salaries	\$7,528,000	\$7,507,000	(\$21,000)
Classified Salaries	1,863,000	1,949,000	86,000
Substitute Salaries	265,000	269,000	4,000
Supplemental Contracts	155,000	157,000	2,000
Severance Pay	138,000	167,000	29,000
Other Salaries and Wages	37,000	37,000	0
	\$9,986,000	\$10,086,000	\$100,000

The significant changes are based on the following:

A decrease in certified salaries due to continuing retirement of certified employees;

An increase in classified salaries due to step increases; and

An increase in severance because the second half of the super severance payments for fiscal year 1999 retirements are due in January of 2001.

B. - Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent plus a two percent pick-up on all employees for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the monthly premiums.

Medicare benefits are based on the employers' rate of 1.45 percent and the payroll costs for contributing staff.

Workers' compensation premiums are based on the School District's rate and the anticipated salaries for the fiscal year.

Presented below is a comparison of fiscal year 2000 and the forecast period:

Switzerland of Ohio Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2001

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase
Employer's Retirement	\$1,511,000	\$1,552,000	\$41,000
Health Care Insurance	1,473,000	1,591,000	118,000
Workers' Compensation	14,000	54,000	40,000
Medicare	49,000	58,000	9,000
Unemployment	2,000	4,000	2,000
	\$3,049,000	\$3,259,000	\$210,000

The significant increases in employees' retirement and insurance benefits are based on the following:

An increase in retirement benefits due to the combination of step increases and variances between actual and estimated salaries;

An eight percent increase in health insurance rates; and,

An increase in workers' compensation because in the current year the Bureau of Workers' Compensation is not granting School Districts a 75 percent reduction in premiums as in the prior fiscal year.

C. - Purchased Services

Purchased service expenditures forecasted in the amount of \$1,216,000 are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Professional and Technical Services	\$89,000	\$86,000	(\$3,000)
Property Services	156,000	150,000	(6,000)
Travel and Meeting Expenses	37,000	61,000	24,000
Communication Costs	73,000	135,000	62,000
Utility Services	363,000	379,000	16,000
Contracted Craft or Trade Services	33,000	17,000	(16,000)
Tuition Payments	139,000	199,000	60,000
Pupil Transportation Costs	183,000	167,000	(16,000)
Other Purchased Services	17,000	22,000	5,000
	\$1,090,000	\$1,216,000	\$126,000

The significant changes in purchased services are based on the following:

An increase in meeting expenses due to a professional development contract with the Ohio Mid-Eastern Regional Educational Service Agency;

An increase in communication costs due to the installation of four new T-1 lines contracted through the Ohio Mid-Eastern Regional Educational Service Agency;

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An increase in utilities because of a three to five percent anticipated increase based upon the contracted purchase price for natural gas;

A decrease in trade services due to only one of the schools within the District qualifying for the District tournament;

An increase in tuition because the School District is paying for four full-time autistic children and autistic aides within the School District who are receiving special education services from the Guernsey/Noble/Monroe Educational Service Center; and

A decrease in pupil transportation costs because of decreased individual transportation contracts within the School District.

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$178,000	\$210,000	\$32,000
Operations, Maintenance, and Repair	358,000	362,000	4,000
Supplies, Workbooks, and Textbooks	67,000	38,000	(29,000)
	\$603,000	\$610,000	\$7,000

The significant changes in supplies and materials are based on the following:

An increase in general supplies because the School District is required under House Bill 282 to spend specified amounts on career development supplies; and,

A decrease in supplies and textbooks because the School District spent less monies on textbooks in the forecasted year.

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$230,000. The decrease of \$37,000 is due to the School District anticipating a decrease in educational equipment expenditures during fiscal year 2001.

F. - Refund of Property Taxes

Based on a March 26, 1997 decision by the Ohio State Supreme Court, the District is required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The repayment of this liability is being receipted as personal property tax revenue and the corresponding

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expenditure as a refund of property taxes. Refund of personal property taxes in the forecasted year amount to \$404,000. The final repayment will be paid in fiscal year 2002 for \$210,000.

G. - Debt Service

General fund supported debt consists of an Energy Conservation Note, 1996 Tax Anticipation Note, a 1999 State Solvency Loan, and a 2000 State Solvency Loan. The School District will make the final payment for the 1996 Tax Anticipation Note in June 2001.

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase
Energy Conservation Note	\$135,000	\$135,000	\$0
1996 Tax Anticipation Note	140,000	150,000	10,000
1999 State Solvency Loan	1,410,000	1,410,000	0
2000 State Solvency Loan	0	681,000	681,000
	\$1,685,000	\$2,376,000	\$691,000

The forecasted changes in the general fund obligations are as follows:

General Fund Obligations	Interest Rate	Balance at 06/30/00	Issued	Retired	Balance at 06/30/01
Energy Conservation Loan	5.50%	\$405,000	\$0	\$135,000	\$270,000
1996 Tax Anticipation Note	4.80%	150,000	0	150,000	0
1999 State Solvency Loan	0.00%	1,410,000	0	1,410,000	0
2000 State Solvency Loan	0.00%	1,362,000	0	681,000	681,000
Totals		\$3,327,000	\$0	\$2,376,000	\$951,000

H. - Other Objects

Other objects include dues, fees, liability insurance, and county educational service center costs. The School District is projecting \$1,004,000 of expenditures in this area in fiscal year 2001. The \$18,000 is due to slight increases in foundation adjustments for fiscal year 2001.

I. - Operating Transfers and Advances Out

The School District expects to transfer out \$145,000 from the DPIA fund to the general fund during fiscal year 2001. No advances are forecasted during fiscal year 2001. The School District transfers resources between the general fund and the DPIA fund. DPIA revenues and the related expenditures are included in the historical and forecasted amounts. The method of recording DPIA revenues and expenditures has created accounting issues which are subsequently resolved by the School District using transfers in and out.

J. - Other Financing Uses

Other financing uses are forecasted at \$14,000. This amount represents payments to the driver's education school that were mistakenly deposited into the School District's account in the prior year.

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K. - Spending Reserve

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget.

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

The amount forecasted for fiscal year 2001 represents the State Teacher's Retirement System advance in the amount of \$100,000, \$54,000 in purchased services, \$70,000 in supplies and materials, and \$132,000 in capital outlay and replacement.

Note 8 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years. The School District is also required to set aside money for budget stabilization.

A. - Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The set aside amount for fiscal year 2001 is \$372,000. Qualifying expenditures in the amount of \$135,000 and \$209,000 in off-sets from a permanent improvement levy are anticipated. In addition, there are excess expenditures and off-sets from the prior year in the amount of \$102,000. Therefore, no reserve is reported. The anticipated excess for fiscal year 2001 of \$74,000 may be used to reduce future set aside requirements.

B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2001 is \$372,000. Qualifying expenditures in the amount of \$1,000 and \$371,000 in off-sets from a permanent improvement levy are anticipated. Therefore, no reserve is reported.

C. - Budget Reserve

The School District has a budget reserve of \$108,000, which represents a workers' compensation refund. Since the School District is in fiscal emergency, no set aside of current year reserves is required.

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Senate Bill 345, effective April 10, will eliminate the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in the SB 345, including the offset of a budget deficit. The School District does not anticipate expending the existing balance in the budget reserve during the forecast period.

D. - Disadvantaged Pupil Impact Aid (DPIA)

DPIA restricted revenues are projected to be expended completely during fiscal year 2001; therefore, no carryover reserve is anticipated.

Note 9 - Levies

The School District does not plan to place any levies on the ballot during fiscal year 2001. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
May 1991	Current Operating	6 mills	Continuing	Failed
November 1991	Current Operating	8 mills	5 years	Failed
November 1992	Current Operating	3 mills	5 years	Failed
November 1993	Income Tax	.75 percent	3 years	Failed
May 1994	Permanent Improvement	2.9 mills	5 years	Failed
November 1994	Current Operating	5 mills	5 years	Failed
February 1995	Permanent Improvement	2.5 mills	3 years	Failed
February 1995	Permanent Improvement	1 mill	3 years	Failed
February 1995	Permanent Improvement	1 mill	3 years	Failed
February 1995	Current Operating	5 mills	5 years	Failed
May 1995	Current Operating	5 mills	5 years	Passed
November 1995	Permanent Improvement	2.5 mills	3 years	Failed
March 1996	Permanent Improvement	2.5 mills	3 years	Passed
May 1997	Current Operating	5.6 mills	5 years	Failed
November 1997	Bond Issue	5.8 mills	28 years	Failed
November 1997	Current Operating	6.2 mills	1 year	Failed
May 1998	Income Tax	1 percent	1 year	Failed
May 1999	Permanent Improvement	2.5 mills	3 years	Passed
March 2000	Current Operating	5 mills	5 years	Passed

Switzerland of Ohio Local School District

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Note 10 - Pending Litigation

Management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 11 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$8,253,754 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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



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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE 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
MARCH 29, 2001**