



**Auditor of State
Betty Montgomery**

**Swanton Local School District
Fulton County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2004**

Local Government Services Section

Swanton Local School District
Fulton County

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State of Ohio
Department of Education
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CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the General Fund of Swanton Local School District, Fulton County, Ohio, and issued a report dated March 5, 2004. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an unreserved deficit fund balance for the general fund as of June 30, 2004, of \$669,000. The deficit includes the required cash set asides for textbooks and instructional materials and bus purchase allowance.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2005 scheduled property tax settlements. The potential advances have been excluded due to the District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2004 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2004.

The forecasted operating deficit excludes an estimated \$500,000 due to OMERESA for health care claims. The contract with OMERESA allows for claims in excess of contributions to be funded over a two or three year period. However, should the School District terminate its contract, the entire balance plus claims incurred prior to the date of termination are due within ninety days.

BETTY MONTGOMERY
Auditor of State

Peter R. Sorem
Chief of Local Government Services

April 28, 2004

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Auditor of State Betty Montgomery

Board of Education
Swanton Local School District
108 North Main Street
Swanton, Ohio 43558

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the General Fund of the Swanton Local School District for the fiscal year ending June 30, 2004. The Swanton Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation 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 management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

The School District has a self-funded employee health care program. Contributions to the program are remitted to Ohio Mid-Eastern Regional Education Service Agency (OMERESA) which reviews, processes, and pays the claims on behalf of the School District. The forecast includes the contributions paid to OMERESA for all participating employees. The School District anticipates claims to have exceeded the contributions remitted to OMERESA by \$500,000 at June 30, 2004. This deficiency is not included in the forecast because by contract the School District may establish a payment plan to reimburse OMERESA over a two to three year period (See Note 12).

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for managements 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 the date of this report.

The historical financial statements for the fiscal years ended June 30, 2001 through 2003, were compiled by us 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 the 2001 through 2003 financial statements and, accordingly, do not, express an opinion or any other form of assurance on them.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 5, 2004

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Swanton Local School District

Forecasted Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Fiscal Year Ending June 30, 2004 with Comparative Historical
Information For The Fiscal Years Ended June 30, 2001, 2002 and 2003

General Fund				
	Fiscal Year 2001 <u>Actual</u>	Fiscal Year 2002 <u>Actual</u>	Fiscal Year 2003 <u>Actual</u>	Fiscal Year 2004 <u>Forecasted</u>
Revenues				
General Property Tax (Real Estate)	\$4,114,000	\$3,924,000	\$3,876,000	\$3,994,000
Tangible Personal Property Tax	980,000	1,110,000	637,000	703,000
Unrestricted Grants-in-Aid	4,138,000	4,373,000	4,345,000	4,528,000
Restricted Grants-in-Aid	90,000	37,000	43,000	23,000
Property Tax Allocation	510,000	618,000	632,000	641,000
All Other Revenues	<u>466,000</u>	<u>1,029,000</u>	<u>841,000</u>	<u>899,000</u>
Total Revenues	<u>10,298,000</u>	<u>11,091,000</u>	<u>10,374,000</u>	<u>10,788,000</u>
Other Financing Sources				
Proceeds of Notes	0	0	0	1,295,000
Operating Transfers In	0	0	149,000	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>149,000</u>	<u>1,295,000</u>
Total Revenues and Other Financing Sources	<u>10,298,000</u>	<u>11,091,000</u>	<u>10,523,000</u>	<u>12,083,000</u>
Expenditures				
Personal Services	6,684,000	6,880,000	7,087,000	6,250,000
Employees' Retirement/Insurance Benefits	1,934,000	1,952,000	2,241,000	2,429,000
Purchased Services	1,552,000	1,669,000	1,712,000	1,558,000
Supplies and Materials	472,000	524,000	434,000	350,000
Capital Outlay	141,000	169,000	184,000	0
Other Objects	<u>114,000</u>	<u>146,000</u>	<u>162,000</u>	<u>200,000</u>
Total Expenditures	<u>10,897,000</u>	<u>11,340,000</u>	<u>11,820,000</u>	<u>10,787,000</u>
Other Financing Uses				
Operating Transfers Out	34,000	25,000	68,000	154,000
Total Other Financing Uses	<u>34,000</u>	<u>25,000</u>	<u>68,000</u>	<u>154,000</u>
Total Expenditures and Other Financing Uses	<u>10,931,000</u>	<u>11,365,000</u>	<u>11,888,000</u>	<u>10,941,000</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(633,000)	(274,000)	(1,365,000)	1,142,000
Cash Balance July 1	<u>1,082,000</u>	<u>449,000</u>	<u>175,000</u>	<u>(1,190,000)</u>
Cash Balance June 30	<u>449,000</u>	<u>175,000</u>	<u>(1,190,000)</u>	<u>(48,000)</u>
Reserves for:				
Encumbrances	92,000	115,000	310,000	50,000
Budget	70,000	70,000	0	0
Textbooks	283,000	328,000	431,000	561,000
Bus Subsidy	<u>12,000</u>	<u>25,000</u>	<u>0</u>	<u>10,000</u>
Total Reservations of Fund Balance	<u>457,000</u>	<u>538,000</u>	<u>741,000</u>	<u>621,000</u>
Unreserved Fund Balance (Deficit) June 30	<u>(\$8,000)</u>	<u>(\$363,000)</u>	<u>(\$1,931,000)</u>	<u>(\$669,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Note 1 - The School District

The Swanton Local School District (School District) serves an area of approximately 42 square miles. It is located in Fulton County, and includes all of the Village of Swanton and portions of Fulton, Harding, Spencer, Swan Creek, and Swanton Townships. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates four instructional/support facilities staffed by 56 non-certificated employees, 86 certificated full time teaching personnel, and 8 administrative employees to provide services to approximately 1,560 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Swanton 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 March 5, 2004, 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.

Note 3 - 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. For presentation in the forecast, the Disadvantaged Pupil Impact Aid (DPIA) fund is included with the General Fund.

Note 4 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) 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.

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

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:

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 major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - 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 are used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary Funds

Fiduciary funds 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.

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 resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund and two digit function level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Budget - Fulton County has waived the requirement to file a formal tax budget. The County Budget Commission requires revenue and expenditure information for those funds receiving property tax revenues and summary data for all other funds. The information is to be submitted to the County Budget Commission by January 20 of each year.

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. The certificate of estimated resources may be further amended throughout the year if revenues will be greater or less than previous estimates.

Appropriations - The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. A temporary appropriation resolution measure may be passed on or about July 1 of each year. The temporary appropriation resolution remains in place until the annual appropriation measure is adopted for the entire year. The appropriation resolution 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 5 - General Operating Assumptions

The Swanton 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 6 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes consist of real property, public utility real and personal property, manufactured home and tangible personal property taxes. Advances may be requested from the Fulton and Lucas County Auditors as the taxes are 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 reductions in the form of rollbacks and the 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 revenues lost due to these exemptions. The amount of the reimbursement is presented in the forecast statement in the account "property tax allocation".

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Historically, the School District does not receive advances against the August real estate tax settlement which is intended to finance the next fiscal year. The forecast excludes the receipt of any advances against fiscal year 2005 scheduled property tax settlements. The potential advances have been excluded due to the District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent advances are received prior to June 30, 2004 and the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2004.

The forecast excludes the receipt of the June tangible personal property settlement because the settlement is historically received in July of the following fiscal year; however, should the School District receive the June tangible personal property settlement within the fiscal year, forecasted note proceeds of \$195,000 would not be necessary.

The property tax revenues for the General Fund are generated from several levies. The type of levy, year of approval, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$3.80
Continuing Operating	1976	n/a	31.60
Continuing Operating	1980	n/a	6.00
Continuing Operating	1986	n/a	6.00
Continuing Operating	1991	n/a	4.90
3 Year Emergency Operating	2001	2004	4.67
Total Tax Rate			<u>\$56.97</u>

The School District also has levies for recreation, bonded debt, and permanent improvements totaling \$11.14 per \$1,000 of assessed valuation. The School District's total rate is \$68.11 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property taxes as in the year in which the levy was approved. Increases to voted levy revenues are restricted to assessments for new construction. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. The effective residential and agricultural rate is \$24.38 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$28.03 per \$1,000 of assessed valuation for 2003 which is collected in calendar year 2004.

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue. The general property tax revenue is based upon actual revenues received during fiscal year 2004. Based upon this information, the School District received an increase of \$118,000 from the prior fiscal year.

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Tangible Personal Property Tax - Tangible personal property tax is applied to property used in business (except for public utilities). Tangible personal property tax revenues are based upon actual revenues received during fiscal year 2004. Based upon these revenues, the School District received an increase of \$66,000 from the previous fiscal year. The increase is attributable to two large delinquent accounts that would have normally been reflected as revenue in fiscal year 2002 but were received until July, 2003, netted against a \$204,000 refund of tangible personal property tax made to an area business in fiscal year 2003.

B. - Income Tax

The voters within the School District passed an income tax of 1.25 percent for general operations on the income of residents and of estates. The tax is effective January 1, 2005, and is for a five year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return to the State of Ohio. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. The first quarterly payment from the State will be received in April, 2005; therefore, no amount is forecasted for fiscal year 2004.

C. Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments and State reimbursements for lost property tax revenues due to credits and exemptions. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, excess cost supplement, and charge-off supplement, are provided to address certain policy issues or correct flaws in formula aid and are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature) less the equivalent of 23 mills times the school district's taxable property valuation. The per pupil foundation level for fiscal year 2001 was set by the legislature at \$4,294, \$4,490 for 2002 and \$4,949 for 2003. In 2003, the per pupil foundation level was changed for fiscal year 2004 to \$5,058.

The anticipated state foundation revenue for fiscal year 2004 is based on current estimates provided by the Ohio Department of Education. The most recent estimate reported on the February school foundation statement of settlement is \$4,528,000. Unrestricted grants-in-aid revenue is summarized as follows:

	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase
Formula Aid	\$3,536,000	\$3,601,000	\$65,000
Categorical Funding	709,000	712,000	3,000
Parity Aid	109,000	214,000	105,000
Foundation Adjustments	(9,000)	1,000	10,000
Totals	<u>\$4,345,000</u>	<u>\$4,528,000</u>	<u>\$183,000</u>

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Formula aid increased due to an increase in ADM offset by an increase in assessed values. In prior years, the ADM was a three-year average. In fiscal year 2004, the calculation is based on the current fiscal year's ADM.

D. Restricted Grants-in-Aid

Restricted grants-in-aid consist of a bus purchase allowance of \$10,000 and a Disadvantaged Pupil Impact Aid of \$13,000 which all are based on information from the Ohio Department of Education. The decrease in restricted grants-in-aid for fiscal year 2004 is based on the 52 percent reduction of the Public Bus Purchase Subsidy budget line-item in the State of Ohio's budget.

E. Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. 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. In addition, State law exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for the loss of property taxes as a result of these tax relief programs. The State also reimburses the School District for lost revenue due to utility deregulation. The School District anticipates \$562,000 in these reimbursements, an increase of \$14,000.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are to be made twice a year in March and September. The School District is anticipating \$79,000 in public utility reimbursements, a decrease of \$5,000 from the prior year, which is based on information provided by the Ohio Department of Taxation.

F. All Other Revenues

All other revenues include tuition, interest on investments, fees, rentals, miscellaneous receipts, and the refund of prior year expenditures.

The School District receives tuition for non-handicapped students as well as open enrollment. Open enrollment is reported net of payments to other districts for fiscal year 2001. Open enrollment revenue is reported at gross for fiscal years 2002, 2003, and 2004.

The School District pays all payroll and related fringe benefits through the General Fund, except for those employees paid through the Recreation and Auxiliary Services special revenue fund and the Food Service enterprise fund. Throughout the fiscal year, a reimbursement is made to the General Fund from State and Federal grant funds for payroll and related fringe benefits.

The School District expects to receive a one-time \$107,000 donation from the S.P.O.R.T.S. Foundation in fiscal year 2004 to pay the salaries and benefits for specific extracurricular programs.

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase (Decrease)
Tuition	\$19,000	\$20,000	\$1,000
Tax Abatements	15,000	15,000	0
Interest on Investments	14,000	2,000	(12,000)
Rentals	7,000	2,000	(5,000)
Open Enrollment	380,000	343,000	(37,000)
Reimbursement from Grants	274,000	243,000	(31,000)
Donations	0	107,000	107,000
Miscellaneous	132,000	167,000	35,000
Totals	\$841,000	\$899,000	\$58,000

G. Proceeds of Notes

Proceeds of notes represents receipts from the issuance of tax anticipation notes for short-term cash flow borrowing. Section 5748.05, Revised Code, permits the issuance of income tax anticipation notes up to 50 percent of one year's collections. Section 133.10(D), Revised Code, permits the issuance of tangible personal property tax anticipation notes up to 90 percent of the June settlement. The School District anticipates issuing \$1,100,000 in income tax anticipation notes and \$195,000 in tangible personal property tax anticipation notes. Principal payments are required to be made over a five year period for the income tax anticipation notes beginning in fiscal year 2005. Tangible personal property tax anticipation notes are required to be paid by August 31 of the following fiscal year.

H. Operating Transfers In

In fiscal year 2003, the School District transferred a portion of the interest revenue from the Permanent Improvement capital projects fund to the General Fund. No transfers are anticipated in fiscal year 2004 to the General Fund.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts, overtime, student workers and severance pay. All employees receive their compensation on a bi-weekly basis.

Certified (teaching) staff salaries are based on a negotiated contract which includes a base increase of 3.3 percent, step increases, and educational incentives. For certified employees, the current contract covers the period September 1, 2002 to August 31, 2004. Step increases, on average, are two percent. The contract for classified staff covers the period July 1, 2002 to June 30, 2004. The contract for bus drivers covers the period July 1, 2002 to June 30, 2004. Administrative salaries are set individually by the Board of Education.

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Salaries are forecasted to decrease by \$837,000 from fiscal year 2003. At the end fiscal year 2003, five certified employees left the School District. In addition, five certified employees retired during fiscal year 2004. The Board implemented a reduction in force of twenty-three certified employees that occurred on November 11, 2003. The superintendent and high school principal also took a reduction in pay during fiscal year 2004. In addition, the reduction in force reduced classified employees by four bus drivers, eight secretaries, one nursing tech, one part-time custodian, and reduced the working hours for five classified employees.

The School District offers a severance payment to retiring employees of one fourth of accumulated sick days at their current daily rate of pay up to a maximum of 58.75 days for certified employees and sixty days for classified employees. Severance payments were made in the forecast period for employees that had retired during fiscal year 2004. In addition, one employee passed away during fiscal year 2004, for which a severance payment was made. The School District does not anticipate any additional severance payments during fiscal year 2004.

The severance payment for certified employees also includes \$50 for each year of service in the School District up to a maximum of thirty years and a \$15,000 incentive should the certified employee retire in the first year of eligibility with at least fifteen years of service with the School District.

B. Employees' Retirement/Insurance Benefits

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

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

Workers' compensation premiums are based on the School District's premium rate and the anticipated salaries for the fiscal year. In fiscal year 2003, the School District received a 50 percent rebate on the workers' compensation premium. A rebate of 20 percent in workers' compensation premiums is anticipated for fiscal year 2004. The School District currently participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Program. The School District pays the amount billed by the State Workers' Compensation system which is based on the group rate and the actual salaries for the premium period. For the fiscal year 2004, the School District anticipates paying \$28,000 in workers' compensation premiums which is an \$11,000 decrease from fiscal year 2003. The reduction is caused by the fiscal year 2003 amount being inflated for the fiscal year 2002 premiums which were not paid until 2003.

Retirement costs are based on the employers' contribution rate of fourteen percent of gross payroll for STRS and SERS. Payments are withheld semi-monthly from the state foundation settlements based upon an estimate of the salaries and wages for the fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. The School District also pays the superintendent's, principals and treasurer's employee contributions. In prior years, the School District underestimated the amount of payroll for STRS and SERS deduction from the State Foundation settlements. This created an increase in retirement contributions of \$39,000 from fiscal year 2003. The STRS and SERS deductions for January through June, 2004 are based on estimated salaries reported to the Ohio Department of Education in September, 2003 and does not reflect the effect of the reduction in force that occurred on November 11, 2003.

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Health and dental benefits are provided by a self-funded plan. The Ohio Mid-Eastern Regional Education Service Agency (OMERESA) Health Benefits Plan is the third party administrator which processes and pays all claims. The contribution per month, per employee, is determined on a fiscal year basis (See Note 12). Amounts are paid to OMERESA by the School District on a monthly basis. OMERESA processes and pays all employee claims. Premiums in fiscal year 2003 were \$634.71 for family and \$252.76 for single medical coverage. Premiums in fiscal year 2004 are \$839.46 for family and \$334.30 for single medical coverage.

C. Purchased Services

Purchased service expenditures forecasted in the amount of \$1,558,000 are comprised of the following:

	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance Increase
Professional and Technical Services	\$103,000	\$82,000	(\$21,000)
Property Services	147,000	95,000	(52,000)
Travel and Meeting Expenses	56,000	8,000	(48,000)
Communication Costs	40,000	40,000	0
Utility Services	385,000	340,000	(45,000)
Open Enrollment	214,000	218,000	4,000
Tuition Payments	763,000	770,000	7,000
Other Purchased Services	4,000	5,000	1,000
Totals	\$1,712,000	\$1,558,000	(\$154,000)

The School District anticipates decreases in utilities and professional and technical services because of closing two instructional buildings to coincide with the expansion of the middle school and the construction of a new high school. The Board has also stopped all reimbursements for travel and meeting expenses to administrators. Tuition payments are increasing due to additional costs for services provided by the Fulton County Educational Service Center.

D. Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2003	Forecast Fiscal Year 2004	Variance (Decrease)
General Supplies	\$284,000	\$241,000	(\$43,000)
Textbooks	41,000	28,000	(13,000)
Library Books	12,000	8,000	(4,000)
Periodicals	6,000	3,000	(3,000)
Transportation Supplies	91,000	70,000	(21,000)
Totals	\$434,000	\$350,000	(\$84,000)

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For the Fiscal Year Ending June 30, 2004

The School District has restricted bus transportation to students within grades K-8 thereby reducing the bus fleet from fifteen to eleven. All other supplies are anticipated to decrease because of purchasing only those supplies absolutely necessary to provide instruction to the students.

E. Capital Outlay

The acquisition or construction of property, plant and equipment for general governmental services is recorded as capital outlay expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements is to report the expenditure of resources, not costs.

No capital outlay expenditures are forecasted in fiscal year 2004. The \$184,000 decrease from fiscal year 2003 is primarily due to the School District not purchasing any school buses in fiscal year 2004 and paying the Apple computer lease from the permanent improvement capital projects fund. The permanent improvement fund receives property tax revenues of \$204,000, annually. It is also used to retire energy conservation notes, make facility improvements, and purchase equipment.

F. Other Objects

Other object expenditures consist of dues and fees and property, fleet and liability insurance. Other object expenditures are forecasted in the amount of \$200,000. The \$38,000 increase from fiscal year 2003 is due to audit costs.

G. Operating Transfers and Advances Out

The School District does not historically advance funds to other funds. The School District is forecasting transfers out in fiscal year 2004 in the amount of \$154,000 to the Recreation special revenue and Permanent Improvement capital projects funds to correct errors in posting revenues in past years. In prior fiscal years, the School District has transferred funds to the Food Service enterprise fund. The School District does not anticipate any transfer to the Food Service enterprise fund in fiscal year 2004 as fees and State and Federal grant reimbursements should be sufficient to cover all costs.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed and 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 cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects as of June 30, 2003 were \$310,000 and are forecasted at \$50,000 as of June 30, 2004 based upon standard operating procedures of the District.

Swanton Local School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

Note 9 - 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.

At year end, any balances for disadvantaged pupil impact aid and bus purchases from the previous year plus any receipts from the current year that have not been spent must be carried forward to be used for appropriate purposes in future years

A. Textbooks and Instructional Materials Set-Aside

The set aside requirement for fiscal year 2004 is \$204,000. There was a carryover balance of \$431,000 from fiscal year 2003. The School District anticipates qualified expenditures of \$74,000 for the fiscal year; therefore, a reserve of \$561,000 is included in the forecast.

B. Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2004 is \$204,000. There was no carryover of from fiscal year 2003. The School District anticipates the offsets from the Permanent Improvement levy to exceed the set aside required in fiscal year 2004; therefore, a reserve balance will not be required.

C. Bus Purchases

At June 30, 2003, the School District had no unspent bus monies. The School District received \$10,000 in a bus purchase allowance during fiscal year 2004. The School District does not intend to purchase a bus during the current fiscal year; therefore, a reserve of \$10,000 is included in the forecast.

D. Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2003, the School District had no unspent DPIA monies. The School District anticipates receiving \$12,396 in restricted DPIA monies during fiscal year 2004 and spending the same amount. Therefore, there is no reserve included for DPIA.

Note 10 - Levies

The voters of the School District passed a five year, 1.25 percent income levy on March 2, 2004. The Ohio Department of Taxation estimates the income tax levy will generate approximately \$132,000 in fiscal year 2005 and \$2,200,000 in each fiscal year thereafter in which there is a full year of collection.

Swanton Local School District
Fulton County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
May 1993	Permanent Improvement	3.3 mills	5 Years	Passed
February 1994	Bond Issue	\$8,300,000	25 Years	Failed
May 1995	Operating	4.9 mills	Continuing	Failed
August 1995	Operating	6.9 mills	Continuing	Failed
November 1995	Emergency	\$825,000	3 Years	Passed
November 1996	Income Tax (\$1,075,000)	.75 Percent	Continuing	Failed
November 1997	Permanent Improvement	3.3 mills	5 Years	Passed
May 1998	Emergency	\$825,000	3 Years	Passed
November 2000	Bond Issue	\$18,000,000	25 Years	Passed
November 2001	Emergency	\$825,000	3 Years	Passed
May 2003	Operating	5.50 mills	3 years	Failed
August 2003	Income Tax (\$1,765,000)	1 Percent	Continuing	Failed
November 2003	Income Tax (\$1,765,000)	1 Percent	5 Years	Failed
March, 2004	Income Tax (\$2,200,000)	1.25 Percent	5 Years	Passed

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 - Self-Funded Health Care Plan

The School District has established a self-funded employee health care program. The School District charges a premium per person per month to the various funds and remits the premium to its third party administrator. The Ohio Mid-Eastern Regional Education Service Agency (OMERESA) reviews and pays all claims on behalf of the School District. Premiums are based upon the estimated claims. Under the terms of the program, the School District is responsible for individual plan participant claims of up to \$35,000. Claims in excess of \$35,000 and up to \$49,999 are covered by an internal stop-loss pool provided by OMERESA and claims from \$50,000 and up to \$1,000,000 are covered by a stop loss policy.

In prior years, claims paid were significantly greater than the payments made to the fund, creating a deficit at June 30, 2003, in excess of \$229,000. This deficit has been financed by OMERESA using money from other clients. Based on the estimated current claims for fiscal year 2004, OMERESA has estimated the deficit to be \$500,000 by June 30, 2004. The contract with OMERESA allows for claims in excess of contributions to be funded over a two or three year period. However, should the School District terminate its contract the entire balance plus claims incurred prior to the date of termination are due within ninety days.

Swanton Local School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2004

The School District anticipates a 40 percent increase in contributions paid to OMERESA for fiscal year 2005. The increase is expected to cover current claims; however, OMERESA has not requested additional contributions to be paid in fiscal year 2005 to cover the prior fiscal year excess claims. Contributions to OMERESA are expected to be increased in fiscal years 2006 and 2007 to cover the excess claims over contributions that occurred through June 30, 2004.

Note 13 - State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.



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Betty Montgomery**

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SWANTON LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 3, 2004**