



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Swanton Local School District  
Fulton County  
108 North Main Street  
Swanton, Ohio 43588-1032

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, Ohio (the District), as of and for the year ended June 30, 2007, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2008, 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.

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Management's 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 11, 2008

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED**

The discussion and analysis of Swanton Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$5,246,618, over 90 percent. For fiscal year 2007, revenues increased by 17 percent while expenses increased less than 4 percent. The increase in revenues is primarily the result of an increase in property taxes.
- General revenues accounted for 87 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

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 Swanton Local 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds, with all other non-major funds presented in total in a single column. For Swanton Local School District, the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School 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 School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

In the statement of net assets and the statement of activities, all of the School District's activities are reported as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

Governmental Funds - All of the School 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 financial statements provide a detailed short-term view of the School 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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
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The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1  
Net Assets

	Governmental Activities		
	2007	2006	Change
<u>Assets:</u>			
Current and Other Assets	\$17,039,384	\$12,910,706	\$4,128,678
Capital Assets, Net	18,241,864	18,216,072	25,792
Total Assets	35,281,248	31,126,778	4,154,470
 <u>Liabilities:</u>			
Current and Other Liabilities	8,860,740	9,035,959	175,219
Long-Term Liabilities	15,373,516	16,290,445	916,929
Total Liabilities	24,234,256	25,326,404	1,092,148
 <u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	4,316,988	3,767,853	549,135
Restricted	1,979,897	1,466,962	512,935
Unrestricted	4,750,107	565,559	4,184,548
Total Net Assets	\$11,046,992	\$5,800,374	\$5,246,618

A review of the above table reveals several significant changes from fiscal year 2006. Current and other assets increase over \$4 million. The largest percent of this increase is reflected in cash and cash equivalents. During fiscal year 2007, revenues increased by 17 percent while expenses only increased by 4 percent. This resulted in additional cash on hand at fiscal year end. In addition, there was a significant increase in cash being held by the School District's third-party administrator for insurance as contributions made by the School District exceeded amounts needed to pay claims. The increase in current and other assets also resulted in a corresponding increase in unrestricted net assets.

The other change of note is the decrease in long-term liabilities due to the payment of principal on long-term debt. This decrease is also reflected in the increase in invested in capital assets.

**SWANTON LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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Table 2 reflects the changes in net assets for fiscal year 2007 and fiscal year 2006.

Table 2  
Change in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Change
<u>Revenues</u>			
Program Revenues:			
Charges for Services	\$892,853	\$757,428	\$135,425
Operating Grants, Contributions, and Interest	1,373,643	1,199,220	174,423
Capital Grants and Contributions	137,818	7,093	130,725
Total Program Revenues	<u>2,404,314</u>	<u>1,963,741</u>	<u>440,573</u>
General Revenues:			
Property Taxes Levied for General Purposes	6,622,070	4,968,615	1,653,455
Property Taxes Levied for Recreation	61,450	53,435	8,015
Property Taxes Levied for Debt Service	1,321,251	1,006,645	314,606
Property Taxes Levied for Permanent Improvements	379,015	293,862	85,153
Income Taxes	2,338,136	2,160,705	177,431
Grants and Entitlements	5,066,647	4,870,604	196,043
Interest	337,582	195,924	141,658
Gifts and Donations	21,558	25,792	(4,234)
Miscellaneous	210,595	465,951	(255,356)
Total General Revenues	<u>16,358,304</u>	<u>14,041,533</u>	<u>2,316,771</u>
Total Revenues	<u>18,762,618</u>	<u>16,005,274</u>	<u>2,757,344</u>
<u>Expenses</u>			
Instruction:			
Regular	5,724,938	5,686,029	(38,909)
Special	1,320,063	1,453,882	133,819
Support Services:			
Pupils	603,205	533,993	(69,212)
Instructional Staff	443,349	494,113	50,764
Board of Education	98,022	5,410	(92,612)
Administration	1,143,802	1,089,133	(54,669)
Fiscal	394,793	435,773	40,980
Business	2,923	1,352	(1,571)
Operation and Maintenance of Plant	1,133,814	1,118,684	(15,130)
Pupil Transportation	740,901	679,534	(61,367)
Central	29,696	86,779	57,083
Non-Instructional Services	702,727	633,631	(69,096)
Extracurricular Activities	449,073	399,671	(49,402)
Interest and Fiscal Charges	728,694	396,749	(331,945)
Total Expenses	<u>13,516,000</u>	<u>13,014,733</u>	<u>(501,267)</u>
Increase in Net Assets	5,246,618	2,990,541	2,256,077
Net Assets at Beginning of Year	<u>5,800,374</u>	<u>2,809,833</u>	<u>2,990,541</u>
Net Assets at End of Year	<u>\$11,046,992</u>	<u>\$5,800,374</u>	<u>\$5,246,618</u>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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(Continued)**

Program revenues represent almost 13 percent of total revenues (slightly more than the prior fiscal year) and primarily consist of restricted intergovernmental revenues, tuition, fees, charges for extracurricular activities, and food service sales. Operating grants and contributions and capital grants and contributions reflected as program revenues are restricted intergovernmental resources which are directly associated with certain governmental activities, such as special education funding and food service subsidies, as well as resources restricted for capital acquisition. During fiscal year 2007, the School District received two new grants, a federal drug testing grant and an OISM grant, that contributed to the increase in grants revenue.

Almost all general revenue sources increased in fiscal year 2007; however, property taxes reflect a substantial increase of 33 percent overall. Most of this increase can be attributed to a property reappraisal in Lucas County (increase due to an increase in values and new construction).

Overall, program expenses increased from the prior fiscal year just under 4 percent. The Board of Education and the Administration are continuing to limit expenses. The Board of Education eliminated twenty teaching and support positions in fiscal year 2004 and has only been replacing positions vacated through attrition. In fiscal year 2007, the Board of Education and the Swanton Education Association reached an agreement to increase teacher's salaries and base wages by 2.75 percent. The teachers also continue to participate in the cost of their health insurance coverage. This contract expired in August 2007.

The major program expense for governmental activities continues to be for instruction, which accounts for 52 percent of all governmental expenses. Other programs which directly support the instruction process, including pupils, instructional staff, and pupil transportation account for 13 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, a little over 8 percent. Therefore, 73 percent of the School District's expenses are directly related to the primary functions of providing facilities and delivering education.

**SWANTON LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, 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  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$5,724,938	\$5,686,029	\$5,005,729	\$5,209,833
Special	1,320,063	1,453,882	500,833	671,388
Vocational			(12,218)	(10,727)
Support Services:				
Pupils	603,205	533,993	594,282	523,797
Instructional Staff	443,349	494,113	443,349	494,113
Board of Education	98,022	5,410	98,022	5,410
Administration	1,143,802	1,089,133	1,143,802	1,089,133
Fiscal	394,793	435,773	394,793	435,773
Business	2,923	1,352	2,923	1,352
Operation and Maintenance of Plant	1,133,814	1,118,684	1,133,814	1,118,684
Pupil Transportation	740,901	679,534	718,778	672,441
Central	29,696	86,779	17,696	74,779
Non-Instructional Services	702,727	633,631	(10,833)	53,236
Extracurricular Activities	449,073	399,671	352,022	315,031
Interest and Fiscal Charges	728,694	396,749	728,694	396,749
Total Expenses	<u>\$13,516,000</u>	<u>\$13,014,733</u>	<u>\$11,111,686</u>	<u>\$11,050,992</u>

The above table demonstrates the School District's significant dependence on general revenues as over 82 percent of the current fiscal year's costs were paid for through general revenues. Note that only a very few of the School District's programs receive significant support from program revenues. For example, 62 percent of special instruction costs are provided for through operating grants restricted for special instruction programs. All of the non-instructional services costs were covered by program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 22 percent of extracurricular activities expenses are paid for through program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, fund balance more than tripled from the fiscal year 2006. Revenues in the General Fund increase over 14 percent and expenditures only increased 4 percent. As discussed previously, the primary increase in revenues was related to property taxes. Fund balance in the Bond Retirement debt service fund increased \$182,767 due to transfers from the General Fund. The Permanent Improvement capital projects fund had a 21 percent decrease in fund balance due to capital outlay expenditures exceeding revenues. This fund received donations of \$109,000 during fiscal year 2007 to help build a soccer/track field.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2007, the School District amended its General Fund budget as needed. The final budget for revenues increased from the original budget by \$1,617,594, or 13.5 percent. With the exception of intergovernmental and miscellaneous revenues, all other revenue sources increased somewhat (due to conservative estimates). Changes from the final budget to actual revenues were not significant.

For expenditures, there was little change from the original to final budget and there was no change from the final budget to actual expenditures. The School District amended appropriations at fiscal year end to match actual expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$18,241,864 invested in capital assets (net of accumulated depreciation), an increase of less than 1 percent. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

The School District's outstanding debt obligations at fiscal year end included tax anticipation notes, in the amount of \$660,000. In addition, outstanding general obligation bonds were \$14,729,918 and energy conversation loans were \$70,000. The School District's long-term obligations also included compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

Current Issues

In January 2006, the School District was released from Fiscal Caution by the Ohio Department of Education. The current five-year forecast, approved in October 2007, reflects a positive balance, with current levies being renewed. The collection of income taxes has significantly helped the School District's financial achievement as reflected in the five-year forecast. The income tax, originally projected at collecting \$2,018,000 per year, currently collected \$2,338,136.

The Board of Education negotiated a one-year agreement with the teacher's union for fiscal year 2007. The agreement calls for minor pay increases (2.75 percent).

Unfortunately, open enrollment has taken a negative swing from fiscal year 2005 to fiscal year 2006 and also in fiscal year 2007. The Board of Education has adopted an open enrollment policy, which currently allows students from other school districts to enroll in our School District schools and our School District residents to enroll in other school districts free of tuition payments. For the fiscal year 2007, sixty-four full time equivalent School District students attended regular public schools in other school districts and forty-eight full time equivalent students from other school district attended the School District. The ability of the School District to accept students from contiguous school districts is based on space and teaching staff availability. The School District estimates that it is losing approximately \$87,100 in State support as a result of its net loss of students under the open enrollment policy in fiscal year 2007.

Health insurance premiums remained constant in 2007. The Board has taken great strides in eliminating over \$300,000 in debt to the consortium and now has a positive balance of over \$700,000 in the consortium pool.

Based on House Bill 66, the State's biennium budget bill for fiscal years 2006 and 2007, the tangible personal property tax began a four-year phase out effective for tax year 2006. School districts have been promised full replacement of this lost tax over the next five years via the school funding formula and direct payments from the State (excluding the inventory taxes that were already scheduled to be eliminated and the first half-mill on bond and emergency levies). The School District is anticipating several other State Foundation payment changes being implemented by HB 66 which includes the phase-out of the cost of doing business factor, the building blocks funding, and three sets of guarantee calculations. The full effect of HB 66 will be reflected in our foundation program payments in fiscal year 2008.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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, 108 North Main Street, Swanton, Ohio 43558-1032.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Net Assets  
June 30, 2007**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,696,606
Cash and Cash Equivalents with Fiscal Agent	1,016,122
Cash and Cash Equivalents with Escrow Agents	14,100
Accounts Receivable	33,457
Accrued Interest Receivable	6,924
Intergovernmental Receivable	156,395
Prepaid Items	22,802
Inventory Held for Resale	10,457
Materials and Supplies Inventory	2,081
Income Taxes Receivable	1,163,271
Property Taxes Receivable	8,663,906
Unamortized Issuance Costs	253,263
Nondepreciable Capital Assets	899,705
Depreciable Capital Assets, Net	17,342,159
Total Assets	35,281,248
 <u>Liabilities:</u>	
Accounts Payable	30,977
Contracts Payable	14,939
Accrued Wages and Benefits Payable	988,214
Intergovernmental Payable	333,105
Retainage Payable	14,100
Claims Payable	294,654
Separation Benefits Payable	34,500
Matured Compensated Absences Payable	60,126
Accrued Interest Payable	56,667
Notes Payable	660,000
Deferred Revenue	6,373,458
Long-Term Liabilities:	
Due Within One Year	962,764
Due in More Than One Year	14,410,752
Total Liabilities	24,234,256
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	4,316,988
Restricted For:	
Debt Service	1,167,995
Capital Projects	498,901
Other Purposes	313,001
Unrestricted	4,750,107
Total Net Assets	\$11,046,992

See Accompanying Notes to the Basic Financial Statements

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2007**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$5,724,938	\$459,478	\$253,036	\$6,695	(\$5,005,729)
Special	1,320,063		819,230		(500,833)
Vocational			12,218		12,218
Support Services:					
Pupils	603,205		8,923		(594,282)
Instructional Staff	443,349				(443,349)
Board of Education	98,022				(98,022)
Administration	1,143,802				(1,143,802)
Fiscal	394,793				(394,793)
Business	2,923				(2,923)
Operation and Maintenance of Plant	1,133,814				(1,133,814)
Pupil Transportation	740,901			22,123	(718,778)
Central	29,696		12,000		(17,696)
Non-Instructional Services	702,727	338,554	266,006	109,000	10,833
Extracurricular Activities	449,073	94,821	2,230		(352,022)
Interest and Fiscal Charges	728,694				(728,694)
Total Governmental Activities	<u>\$13,516,000</u>	<u>\$892,853</u>	<u>\$1,373,643</u>	<u>\$137,818</u>	<u>(11,111,686)</u>
<u>General Revenues:</u>					
Property Taxes Levied for General Purposes					6,622,070
Property Taxes Levied for Recreation					61,450
Property Taxes Levied for Debt Service					1,321,251
Property Taxes Levied for Permanent Improvements					379,015
Income Taxes					2,338,136
Grants and Entitlements not Restricted to Specific Programs					5,066,647
Interest					337,582
Gifts and Donations					21,558
Miscellaneous					210,595
Total General Revenues					<u>16,358,304</u>
Change in Net Assets					5,246,618
Net Assets at Beginning of Year					5,800,374
Net Assets at End of Year					<u>\$11,046,992</u>

See Accompanying Notes to the Basic Financial Statements



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2007**

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,897,051	\$1,096,191	\$392,653	\$285,580	\$5,671,475
Cash and Cash Equivalents with Fiscal Agent	1,016,122				1,016,122
Accounts Receivable	33,457				33,457
Accrued Interest Receivable	6,924				6,924
Intergovernmental Receivable	33,323			123,072	156,395
Prepaid Items	21,123			1,679	22,802
Inventory Held for Resale				10,457	10,457
Materials and Supplies Inventory				2,081	2,081
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	25,131				25,131
Cash and Cash Equivalents with Escrow Agents			14,100		14,100
Income Taxes Receivable	1,163,271				1,163,271
Property Taxes Receivable	6,356,419	1,758,781	467,738	80,968	8,663,906
<b>Total Assets</b>	<b>\$12,552,821</b>	<b>\$2,854,972</b>	<b>\$874,491</b>	<b>\$503,837</b>	<b>\$16,786,121</b>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$6,304		\$545	\$24,128	\$30,977
Contracts Payable				14,939	14,939
Accrued Wages and Benefits Payable	914,373			73,841	988,214
Intergovernmental Payable	298,511			34,594	333,105
Claims Payable	294,654				294,654
Separation Benefits Payable	34,500				34,500
Matured Compensated Absences Payable	60,126				60,126
Notes Payable	660,000				660,000
<u>Liabilities Payable from Restricted Assets:</u>					
Retainage Payable			14,100		14,100
Deferred Revenue	5,044,515	\$1,520,504	378,982	106,134	7,050,135
<b>Total Liabilities</b>	<b>7,312,983</b>	<b>1,520,504</b>	<b>393,627</b>	<b>253,636</b>	<b>9,480,750</b>
<u>Fund Balances:</u>					
Reserved for Property Taxes	225,751	67,684	13,090	2,439	308,964
Reserved for Bus Purchase	25,131				25,131
Reserved for Encumbrances	135,246		75,277	79,278	289,801
<u>Unreserved, Reported in:</u>					
General Fund	4,853,710				4,853,710
Special Revenue Funds				168,484	168,484
Debt Service Fund		1,266,784			1,266,784
Capital Projects Fund			392,497		392,497
<b>Total Fund Balances</b>	<b>5,239,838</b>	<b>1,334,468</b>	<b>480,864</b>	<b>250,201</b>	<b>7,305,371</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$12,552,821</b>	<b>\$2,854,972</b>	<b>\$874,491</b>	<b>\$503,837</b>	<b>\$16,786,121</b>

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, 2007**

Total Governmental Fund Balances		\$7,305,371
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		18,241,864
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	\$42,374	
Intergovernmental Receivable	36,777	
Property Taxes Receivable	597,526	
		676,677
<p>Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.</p>		253,263
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(56,667)	
General Obligation Bonds Payable	(14,729,918)	
Energy Conservation Loan Payable	(70,000)	
Compensated Absences Payable	(573,598)	
		(15,430,183)
Net Assets of Governmental Activities		\$11,046,992

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, 2007**

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$6,502,556	\$1,279,346	\$372,897	\$61,235	\$8,216,034
Income Taxes	2,295,085				2,295,085
Intergovernmental	5,169,097	207,687	62,964	964,952	6,404,700
Interest	337,582			3,648	341,230
Tuition and Fees	456,353			410	456,763
Extracurricular Activities				170,667	170,667
Charges for Services				248,078	248,078
Gifts and Donations	4,500		109,000	32,116	145,616
Miscellaneous	170,361			63,642	234,003
<b>Total Revenues</b>	<b>14,935,534</b>	<b>1,487,033</b>	<b>544,861</b>	<b>1,544,748</b>	<b>18,512,176</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	5,156,516			178,800	5,335,316
Special	805,829			498,927	1,304,756
<b>Support Services:</b>					
Pupils	601,268			263	601,531
Instructional Staff	383,009			37,714	420,723
Board of Education	98,022				98,022
Administration	1,118,347				1,118,347
Fiscal	366,951	17,785	3,755	5,002	393,493
Business	2,923				2,923
Operation and Maintenance of Plant	1,113,954				1,113,954
Pupil Transportation	679,694				679,694
Central	29,696				29,696
Non-Instructional Services				665,355	665,355
Extracurricular Activities	257,925			160,051	417,976
Capital Outlay			666,104		666,104
<b>Debt Service:</b>					
Principal Retirement		1,010,000			1,010,000
Interest and Fiscal Charges	29,656	565,657			595,313
<b>Total Expenditures</b>	<b>10,643,790</b>	<b>1,593,442</b>	<b>669,859</b>	<b>1,546,112</b>	<b>14,453,203</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,291,744</b>	<b>(106,409)</b>	<b>(124,998)</b>	<b>(1,364)</b>	<b>4,058,973</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	1,077	289,176		46,142	336,395
Transfers Out	(335,318)			(1,077)	(336,395)
<b>Total Other Financing Sources (Uses)</b>	<b>(334,241)</b>	<b>289,176</b>		<b>45,065</b>	
<b>Changes in Fund Balances</b>	<b>3,957,503</b>	<b>182,767</b>	<b>(124,998)</b>	<b>43,701</b>	<b>4,058,973</b>
Fund Balances at Beginning of Year	1,282,335	1,151,701	605,862	206,500	3,246,398
<b>Fund Balances at End of Year</b>	<b>\$5,239,838</b>	<b>\$1,334,468</b>	<b>\$480,864</b>	<b>\$250,201</b>	<b>\$7,305,371</b>

See Accompanying Notes to the Basic Financial Statements

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2007**

Changes in Fund Balances - Total Governmental Funds \$4,058,973

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

Governmental funds report capital outlays 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 outlays exceeded depreciation in the current fiscal year:

Capital Outlay - Nondepreciable Capital Assets	\$330,031	
Capital Outlay - Depreciable Capital Assets	125,863	
Capital Contributions	6,695	
Depreciation	<u>(433,482)</u>	29,107

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (3,315)

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

Property Taxes	167,752	
Income Taxes	43,051	
Intergovernmental	36,777	
Tuition and Fees	2,715	
Miscellaneous	<u>(6,548)</u>	243,747

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

General Obligation Bonds	975,000	
Energy Conservation Loan	<u>35,000</u>	1,010,000

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

Premiums and issuance costs are reported as revenues and expenses when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	6,368	
Annual Accretion	(132,609)	
Amortization of Premium	14,239	
Amortization of Issuance Costs	(5,191)	
Amortization of Accounting Loss	<u>(16,188)</u>	(133,381)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 41,487

Change in Net Assets of Governmental Activities \$5,246,618

See Accompanying Notes to the Basic Financial Statements

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual Comparison (Non GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,614,306	\$5,166,352	\$5,166,352	
Income Taxes	1,451,900	2,329,552	2,329,552	
Intergovernmental	5,206,220	5,169,097	5,169,097	
Interest	207,114	313,370	326,257	\$12,887
Tuition and Fees	279,124	447,344	447,344	
Gifts and Donations		9,000	9,000	
Miscellaneous	209,523	151,066	151,066	
Total Revenues	<u>11,968,187</u>	<u>13,585,781</u>	<u>13,598,668</u>	<u>12,887</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,452,709	5,453,675	5,453,675	
Special	926,926	867,682	867,682	
Other		50,056	50,056	
Support Services:				
Pupils	664,067	631,960	631,960	
Instructional Staff	461,944	444,958	444,958	
Board of Education	11,667	98,083	98,083	
Administration	1,185,293	1,220,887	1,220,887	
Fiscal	399,167	379,405	379,405	
Business	2,989	2,375	2,375	
Operation and Maintenance of Plant	1,237,458	1,235,036	1,235,036	
Pupil Transportation	726,190	788,332	788,332	
Central	50,000	29,696	29,696	
Extracurricular Activities	268,600	258,751	258,751	
Total Expenditures	<u>11,387,010</u>	<u>11,460,896</u>	<u>11,460,896</u>	
Excess of Revenues Over Expenditures	<u>581,177</u>	<u>2,124,885</u>	<u>2,137,772</u>	<u>12,887</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	15,516	179,037	179,037	
Refund of Prior Year Receipts	(500)	(492)	(492)	
Advances Out	(40,000)			
Transfers In		1,077	1,077	
Transfers Out	(400,000)	(344,176)	(335,318)	8,858
Total Other Financing Sources (Uses)	<u>(424,984)</u>	<u>(164,554)</u>	<u>(155,696)</u>	<u>8,858</u>
Changes in Fund Balance	156,193	1,960,331	1,982,076	21,745
Fund Balance at Beginning of Year	1,687,256	1,687,256	1,687,256	
Prior Year Encumbrances Appropriated	98,341	98,341	98,341	
Fund Balance at End of Year	<u>\$1,941,790</u>	<u>\$3,745,928</u>	<u>\$3,767,673</u>	<u>\$21,745</u>

See Accompanying Notes to the Basic Financial Statements

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2007**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$12,299	<u>\$34,975</u>
<u>Liabilities:</u>		
Undistributed Assets		<u>\$34,975</u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u>\$12,299</u>	

See Accompanying Notes to the Basic Financial Statements

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**Statement of Change in Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2007**

<u>Additions:</u>	
Interest	\$128
Miscellaneous	1,750
Total Additions	<u>1,878</u>
 <u>Deductions:</u>	
Non-Instructional Services	<u>1,750</u>
 Change in Net Assets	 128
 Net Assets at Beginning of Year	 <u>12,171</u>
Net Assets at End of Year	<u><u>\$12,299</u></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, 2007**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1887 and serves an area of approximately forty-two square miles. It is located in Fulton and Lucas Counties, and includes all of the Village of Swanton and portions of Fulton, Hardin, Spencer, Swancreek, and Swanton Townships. The School District is the 388<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-nine classified employees, eighty-six certified teaching personnel, and six administrative employees who provide services to 1,465 students and other community members. The School District currently operates four instructional buildings and an administration building.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Swanton Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District's reporting entity includes the following:

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

The School District participates in seven jointly governed organizations, two insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Joint Recreation Board, the Northwestern Ohio Educational Research Council, Inc., the Penta Career Center, the Ohio Schools Council Association, Northwest Ohio Special Educational Regional Resource Center, the Ohio School Plan, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Swanton Public Library. These organizations are presented in Notes 18, 19, and 20 to the basic financial statements.



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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, contributions, and interest 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses 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 School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on general obligation bonds and long-term loans.

Permanent Improvement Fund - The Permanent Improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.

The other governmental funds of the School District account for grants and other resources whose use is 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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for the provision of college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**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 use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget (consists of a five-year forecast and debt schedules), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. 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. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board. Prior to fiscal year end, the School District requests a certificate of estimated resources that matches actual revenues plus carry-over balances.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. The Board adopts the final budgeted amounts at the end of the fiscal year to match actual expenditures plus year end encumbrances; therefore, no variances are reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual Comparison (Non-GAAP Basis).

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that were held separately with the School District's third-party administrator are recorded as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agents".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$337,582, which includes \$100,187 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of donated and purchased food.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended revenues restricted for the purchase of school buses. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted.

**J. Unamortized Issuance Costs/Premium**

On government-wide financial statements, issuance costs and bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Premiums are presented as an addition to the face amount of the bonds.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

**K. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. 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 capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 75 years
Buildings and Building Improvements	9 - 108 years
Furniture, Fixtures, and Equipment	5 - 50 years
Vehicles	7 - 20 years

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for teachers after fifteen years of service and for all other employees after ten years of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

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

All payables, accrued liabilities, and long-term obligations are reported on 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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as liabilities on the fund financial statements when due.

**N. Unamortized Loss on Advance Refunding**

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

**O. 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 balance of any borrowing 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2007, there were no net assets restricted by enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**P. Fund Balance Reserves**

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, bus purchase, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Q. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

**R. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

At June 30, 2007, the Auxiliary Services, Education Management Information Systems, Title I, Title VI-R, and Miscellaneous Federal Grants special revenue funds had deficit fund balances, in the amount of \$1,051, \$35, \$1,716, \$1,626, and \$8,080, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School 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 and Actual Comparison (Non-GAAP Basis) or 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 the GAAP basis are as follows:

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).



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)**

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$3,957,503
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	1,651,209
Accrued FY 2007, Not Yet Received in Cash	(2,548,879)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,640,367)
Accrued FY 2007, Not Yet Paid in Cash	1,607,976
Cash Adjustments:	
Unrecorded Activity FY 2006	353,362
Unrecorded Activity FY 2007	(1,027,791)
Prepaid Items	(8,097)
Note Principal Retirement	(220,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(142,840)
Budget Basis	\$1,982,076

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 5 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$207,837 of the School District's bank balance of \$6,082,591 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Excess Costs	\$31,751
Miscellaneous	1,243
Penta Career Center	329
Total Governmental Activities	33,323
Other Governmental Funds	
Food Service	16,109
Ohio Reads	13,070
Other State Grants	57,222
Title I	23,629
Title VI	1,500
Drug Free	256
Title II-A	11,085
Miscellaneous Federal Grants	201
Total Other Governmental Funds	123,072
Total Intergovernmental Receivables	\$156,395

**NOTE 7 - INCOME TAXES**

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, 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. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 8 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2007.

The School District receives property taxes from Fulton and Lucas Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was 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 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected 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.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 8 - PROPERTY TAXES – (CONTINUED)**

The amount available as an advance at June 30, 2007, was \$225,751 in the General Fund, \$2,439 in the Recreation special revenue fund, \$67,684 in the Bond Retirement debt service fund, and \$13,090 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$277,032 in the General Fund, \$3,383 in the Recreation special revenue fund, \$84,284 in the Bond Retirement debt service fund, and \$16,174 in the Permanent Improvement capital projects fund.

The late settlement made by the counties for fiscal year 2007 was \$1,298,710 in the General Fund, \$9,172 in the Recreation special revenue fund, \$170,593 in the Bond Retirement debt service fund, and \$75,666 in the Permanent Improvement capital projects fund. The late settlement made by the counties for fiscal year 2006 was \$160,881 in the General Fund, \$1,136 in the Recreation special revenue fund, \$21,132 in the Bond Retirement debt service fund, and \$9,373 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2007 taxes were collected are:

	<u>2006 Second- Half Collections</u>		<u>2007 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$157,701,230	77.62%	\$163,777,120	78.54%
Industrial/Commercial	26,118,140	12.86	28,904,970	13.86
Public Utility	7,293,410	3.59	7,170,080	3.44
Tangible Personal	<u>12,054,698</u>	<u>5.93</u>	<u>8,675,881</u>	<u>4.16</u>
Total Assessed Value	<u>\$203,167,478</u>	<u>100.00%</u>	<u>\$208,528,051</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$68.78		\$67.78	

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$563,666			\$563,666
Construction in Progress	6,008	\$330,031		336,039
Total Nondepreciable Capital Assets	<u>569,674</u>	<u>330,031</u>		<u>899,705</u>
Depreciable Capital Assets				
Land Improvements	489,477			489,477
Buildings and Building Improvements	19,624,140			19,624,140
Furniture, Fixtures, and Equipment	754,334	132,558		886,892
Vehicles	1,359,029		(\$42,618)	1,316,411
Total Depreciable Capital Assets	<u>22,226,980</u>	<u>132,558</u>	<u>(42,618)</u>	<u>22,316,920</u>
Less Accumulated Depreciation				
Land Improvements	(200,199)	(5,574)		(205,773)
Buildings and Building Improvements	(3,184,744)	(324,346)		(3,509,090)
Furniture, Fixtures, and Equipment	(314,867)	(45,883)		(360,750)
Vehicles	(880,772)	(57,679)	39,303	(899,148)
Total Accumulated Depreciation	<u>(4,580,582)</u>	<u>(433,482)</u>	<u>39,303</u>	<u>(4,974,761)</u>
Depreciable Capital Assets, Net	<u>17,646,398</u>	<u>(300,924)</u>	<u>(3,315)</u>	<u>17,342,159</u>
Governmental Activities Capital Assets, Net	<u>\$18,216,072</u>	<u>\$29,107</u>	<u>(\$3,315)</u>	<u>\$18,241,864</u>

During fiscal year 2007, the School District accepted contributions of depreciable capital assets for governmental activities with a fair value of \$6,695.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 9 - CAPITAL ASSETS – (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$211,764
Special	13,733
Support Services:	
Pupils	3,366
Instructional Staff	21,521
Administration	20,774
Fiscal	1,571
Operation and Maintenance of Plant	18,092
Pupil Transportation	57,878
Non-Instructional Services	38,747
Extracurricular Activities	46,036
Total Depreciation Expense	<u><u>\$433,482</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$3,000,000
Total per Year	5,000,000

Coverage provided by Stapleton Insurance is as follows:

Building and Contents	42,454,896
Vehicle Liability	1,000,000
Uninsured/Underinsured Motorists	100,000
Inland Marine	1,343,393

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 2007, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 10 - RISK MANAGEMENT – (CONTINUED)**

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (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 its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The School District offers medical, drug, and dental insurance to all employees through a self-insured program through the General Fund. The School District's third party administrator is OME-RESA Health Benefits. The School District purchased stop loss insurance for claims in excess of \$250,000 per year. Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2007, were estimated by the third-party administrator at \$294,654.

The changes in the claims liability for the past two fiscal years were as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2007	\$410,348	\$647,654	\$763,348	\$294,654
2006	576,248	432,214	598,114	410,348

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP 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, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005, was \$621,869, \$591,256, and \$589,140, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$2,560 made by the School District and \$6,360 made by plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, was \$158,955, \$153,881, and \$147,577, respectively; 49 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participate in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$48,033.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006 (the latest information available). For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$71,844 for fiscal year 2007.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, (the latest information available) were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will not be sufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty days for classified employees and two hundred thirty-five days for certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty days for classified employees and fifty-eight and three quarters days for certified employees. In addition, each certified employee will receive an additional \$50 for each year of service to the School District, up to a maximum of 30 years of service.

**B. Early Retirement Incentive**

The School District's Board of Education has approved an early retirement incentive program for SERS employees. The program consists of one year of service credit for all eligible members of SERS who elect to participate. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ended in August 2007. At June 30, 2007, there was no liability for the early retirement incentive.

**C. Separation Benefit**

For STRS employees, a cash payment of \$15,000 is made 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 payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year or take the payment at the time of retirement. To qualify, the employee must have at least fifteen years of service with the School District and must meet all eligibility requirements for retirement under STRS. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ended in August 2007.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 13 - OTHER EMPLOYEE BENEFITS – (CONTINUED)**

For bus drivers, a cash payment of \$4,500 is made to all bargaining unit members who elect to retire under normal circumstances and 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 payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year or take the payment at the time of retirement. To qualify, the employee must have at least fifteen years of service with the School District, must meet all eligibility requirements for retirement under SERS, and must indicate a retirement date before August 1, preceding their year of eligibility. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ends in June 2009.

**NOTE 14 - NOTES PAYABLE**

The School District's notes payable activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Rate</u>	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>
Governmental Activities					
Tax Anticipation Notes Payable	3.37%	\$880,000		\$220,000	\$660,000

On June 1, 2004, the School District issued tax anticipation notes, in the amount of \$1,100,000, in anticipation of the proceeds of the income tax approved by the electors of the School District on March 2, 2004. The notes have an interest rate of 3.37 percent and will mature on December 1, 2009.

Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 2007, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$220,000	\$22,242	\$242,242
2009	220,000	14,828	234,828
2010	220,000	7,414	227,414
Total	<u>\$660,000</u>	<u>\$44,484</u>	<u>\$704,484</u>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
<u>General Obligation Bonds</u>					
FY01 School Improvement Bonds					
Serial Bonds 3-4.4%	\$2,655,000		\$740,000	\$1,915,000	\$195,000
Term Bonds 4.9-5.25%	1,335,000			1,335,000	
Capital Appreciation Bonds 4.9-5%	524,992			524,992	
Accretion of Capital Appreciation Bonds	244,387	\$60,715		305,102	
FY05 School Improvement Bonds					
Serial Bonds 2.5-3.25%	880,000		30,000	850,000	215,000
Term Bonds 4-4.25%	1,020,000			1,020,000	
Capital Appreciation Bonds 3.83-4.07%	99,998			99,998	
Accretion of Capital Appreciation Bonds	28,416	23,159		51,575	
Premium	207,713		3,116	204,597	
FY06 School Improvement Bonds					
Serial Bonds 3.75-4.2%	8,405,003		205,000	8,200,003	485,000
Capital Appreciation Bonds 4.4-4.7%	374,997			374,997	
Accretion of Capital Appreciation Bonds	11,770	48,735		60,505	
Premium	476,401		11,123	465,278	
Accounting Loss	(693,317)		(16,188)	(677,129)	
Total General Obligation Bonds	<u>15,570,360</u>	<u>132,609</u>	<u>973,051</u>	<u>14,729,918</u>	<u>895,000</u>
FY99 Energy Conservation Loan 4.6%	105,000		35,000	70,000	35,000
Compensated Absences Payable	<u>615,085</u>	<u>6,602</u>	<u>48,089</u>	<u>573,598</u>	<u>32,764</u>
Total Governmental Activities Long -Term Obligations	<u>\$16,290,445</u>	<u>\$139,211</u>	<u>\$1,056,140</u>	<u>\$15,373,516</u>	<u>\$962,764</u>

FY01 School Improvement Bonds - On June 1, 2001, the School District issued \$15,999,992 in voted general obligation bonds for buildings and other improvements. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$5,360,000, \$10,115,000, and \$524,992, respectively. The bonds were issued for a twenty-six year period, with final maturity during fiscal year 2027. The bonds will be retired through the Bond Retirement debt service fund. During fiscal year 2006, a portion of the term bonds, in the amount of \$8,780,000, was advance refunded.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

The term bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in the year 2014 (with the balance of \$685,000 to be paid at stated maturity on December 1, 2015), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2014	\$650,000

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds are subject to optional redemption on or after December 1, 2011, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date, according to the following schedule:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2011, through November 30, 2012	101%
December 1, 2012, and thereafter	100

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$1,300,000. For fiscal year 2007, \$60,715 was accreted for a total bond value of \$830,094 at fiscal year end.

**FY05 School Improvement Bonds** - On December 1, 2004, the School District issued \$1,999,998 in voted general obligation bonds to retire \$2,000,000 of outstanding bond anticipation notes. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$880,000, \$1,020,000, and \$99,998, respectively. The bonds were issued for a twenty-one year period, with final maturity during fiscal year 2026. The bonds will be retired through the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2015 through 2017 (with the balance of \$95,000 to be paid at stated maturity on December 1, 2018), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2015	\$95,000
2016	90,000
2017	95,000

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2016 through 2021 (with the balance of \$85,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2019	\$75,000
2020	80,000
2021	80,000

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2023 through 2024 (with the balance of \$100,000 to be paid at stated maturity on December 1, 2025), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2023	\$110,000
2024	115,000

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds are subject to optional prior redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2014, at a redemption price of 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$435,000. For fiscal year 2007, \$23,159 was accreted for a total bond value of \$151,573 at fiscal year end.

FY06 School Improvement Bonds - On March 28, 2006, the School District issued bonds, in the amount of \$8,780,000, to partially refund bonds previously issued in fiscal year 2001 for buildings and other improvements. The refunding bond issue included serial and capital appreciation bonds, in the amount of \$8,405,003 and \$374,997, respectively. The bonds were issued at a premium of \$476,401. The bonds were issued for a nineteen year period, with final maturity during fiscal year 2026. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional prior redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2015, at a redemption price of 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$1,410,000. For fiscal year 2007, \$48,735 was accreted for a total bond value of \$435,502 at fiscal year end.

At June 30, 2007, \$8,575,000 of the refunded 2001 School Improvement Bonds was still outstanding.

FY99 Energy Conservation Loan - On January 27, 1999, the School District obtained a loan, in the amount of \$293,634, to provide energy conservation measures for the School District. The loan was obtained under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a nine year period, with final maturity during fiscal year 2008. The loan is being repaid through the Bond Retirement debt service fund.

Compensated absences will be paid from the General Fund, and the Food Service and Auxiliary Services special revenue funds.

The School District's overall debt margin was \$3,027,048 with an unvoted debt margin of \$192,745 at June 30, 2007.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007, were as follows:

General Obligation Bonds					
Fiscal Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2008	\$895,000			\$526,542	\$1,421,542
2009	940,000			492,285	1,432,285
2010	955,000			455,845	1,410,845
2011	1,005,000			417,547	1,422,547
2012	1,130,000			375,122	1,505,122
2013-2017	100,000	\$1,520,000	\$823,603	3,228,187	5,671,790
2018-2022	3,015,000	425,000	176,384	1,625,656	5,242,040
2023-2026	2,925,003	410,000		249,016	3,584,019
Total	<u>\$10,965,003</u>	<u>\$2,355,000</u>	<u>\$999,987</u>	<u>\$7,370,200</u>	<u>\$21,690,190</u>



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

Energy Conservation Loan			
Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$35,000	\$2,415	\$37,415
2009	35,000	805	35,805
Total	\$70,000	\$3,220	\$73,220

**NOTE 16 - SET ASIDES**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal 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 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$127,238)	\$166,499
Current Year Set Aside Requirement	201,365	201,365
Current Year Offsets		(367,864)
Qualifying Expenditures	(116,821)	
Balance June 30, 2007	(\$42,694)	

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The School District also had current year offsets during the fiscal year that reduced the capital improvements set aside amount to below zero. However, this amount can not be carried forward to reduce future set aside requirements, and therefore is not reflected in this schedule.

**NOTE 17 - INTERFUND TRANSFERS**

The General Fund transferred \$46,142 to other governmental funds to subsidize operations and \$289,176 to the Bond Retirement debt service fund as debt payments came due.

Other governmental funds transferred \$1,077 to the General Fund to repay resources provided in a prior year.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2007, the School District paid \$47,030 to NWOCA for various services. Financial information can be obtained from Northwest Ohio Computer Association, 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 educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

**C. Joint Recreation Board**

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

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

**D. 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 a twenty-five county area in 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., Box 456, Ashland, Ohio 44805.

**E. Penta Career Center**

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education. The Career Center operates under the direction of a Board consisting of one representative from each of the sixteen participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Penta Career Center, at 30095 Oregon Road, Perrysburg, Ohio 43551.

**F. Ohio Schools Council Association**

The Ohio Schools Council Association (Council) is a jointly governed organization among thirty-eight school districts, which was formed to purchase quality products and services at the lowest possible cost to participating school districts. The Council is governed by a board consisting of seven superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from the Ohio Schools Council Association, 155 Center Road, Bedford, Ohio 44146.

The School District participates in the Council's prepaid electricity program, Energy for Education Program II. This program allows the School District to purchase electricity at reduced rates if the School District commits to participating through December 2008. The School District makes monthly payments based on estimated usage. Estimates are compared to actual usage and adjustments are made annually.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

**G. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**NOTE 19 - INSURANCE POOLS**

**A. Ohio School Plan**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan**

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

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**NOTE 20 - RELATED ORGANIZATION**

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 budgeting and contracting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Swanton Public Library, 305 Chestnut Street, Swanton, Ohio 43558.

**NOTE 21 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

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# Mary Taylor, CPA

Auditor of State

## 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 43588-1032

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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2008. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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We noted certain matters that we reported to the District's management in a separate letter dated March 11, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District'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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the District's management in a separate letter dated March 11, 2008.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 11, 2008





**Mary Taylor, CPA**  
Auditor of State

**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  
MARCH 27, 2008**