



Dave Yost • Auditor of State

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis.....	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances Governmental Funds	12
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds.....	13
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual – General Fund.....	14
Statement of Cash Basis Fiduciary Net Assets – Fiduciary Funds	15
Statement of Change in Cash Basis Fiduciary Net Assets – Private Purpose Trust Fund	16
Notes to the Basic Financial Statements	17
Federal Awards Receipts and Expenditures Schedule.....	37
Notes to the Federal Awards Receipts and Expenditures Schedule	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	39
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	41
Schedule of Findings.....	43

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2010, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2010, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, for the year ended June 30, 2010, the District ceased reporting in accordance with accounting principles generally accepted in the United States of America and began reporting on the cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 11, 2011

Swanton Local School District
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010, within the limitations of cash basis accounting. 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 2010 are as follows:

In total, net assets increased \$138,575, or 1 percent.

General revenues accounted for 85 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 is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

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 nonmajor funds presented in total in a single column. For Swanton Local School District, the General Fund and the Bond Retirement debt service 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 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

Swanton Local School District
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also 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.

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, and debt service disbursements.

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 and the Bond Retirement debt service 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 the cash basis accounting. 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.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

Table 1 Net Assets		Governmental Activities		
	2009	2008	Change	
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$10,137,448	\$10,059,694	\$77,754	
Cash and Cash Equivalents with Fiscal Agent	1,944,514	1,883,693	60,821	
Total Assets	\$12,081,962	\$11,943,387	\$138,575	
<u>Net Assets:</u>				
Restricted	\$2,186,475	\$2,210,531	(\$24,056)	
Unrestricted	9,895,487	9,732,856	162,631	
Total Net Assets	\$12,081,962	\$11,943,387	\$138,575	

A review of the above table reveals little change from fiscal year 2009.

Swanton Local School District
 Fulton County
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2010
 Unaudited

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
 Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,018,326	\$1,030,538	(\$12,212)
Operating Grants, Contributions, and Interest	1,486,472	1,143,430	343,042
Capital Grants and Contributions		11,200	(11,200)
Total Program Revenues	2,504,798	2,185,168	319,630
General Revenues			
Property Taxes Levied for General Purposes	4,604,123	5,097,806	(493,683)
Property Taxes Levied for Recreation		29,916	(29,916)
Property Taxes Levied for Debt Service	1,269,462	1,412,103	(142,641)
Property Taxes Levied for Permanent Improvements	177,609	272,767	(95,158)
Income Taxes	2,152,691	2,445,683	(292,992)
Grants and Entitlements	5,774,310	5,522,109	252,201
Interest	211,246	230,510	(19,264)
Gifts and Donations	5,483	11,663	(6,180)
Miscellaneous	217,565	172,334	45,231
Total General Revenues	14,412,489	15,194,891	(782,402)
Total Revenues	16,917,287	17,380,059	(462,772)

(continued)

Swanton Local School District
Fulton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

	Governmental Activities 2010	Governmental Activities 2009	Change
<u>Expenses</u>			
Instruction:			
Regular	\$7,058,180	\$6,200,283	(\$857,897)
Special	1,704,268	1,805,609	101,341
Support Services:			
Pupils	603,589	622,038	18,449
Instructional Staff	625,041	721,619	96,578
Board of Education	17,042	15,843	(1,199)
Administration	1,306,509	1,198,824	(107,685)
Fiscal	471,801	462,068	(9,733)
Business	1,604	2,340	736
Operation and Maintenance of Plant	1,336,665	1,343,199	6,534
Pupil Transportation	852,704	758,771	(93,933)
Central	12,601	33,298	20,697
Non-Instructional Services	607,585	696,999	89,414
Extracurricular Activities	475,211	521,237	46,026
Capital Outlay	295,067	349,271	54,204
Principal Retirement	955,000	440,000	(515,000)
Interest and Fiscal Charges	455,845	669,004	213,159
Total Expenses	<u>16,778,712</u>	<u>15,840,403</u>	<u>(938,309)</u>
Increase in Net Assets	138,575	1,539,656	(1,401,081)
Net Assets at Beginning of Year	11,943,387	10,403,731	1,539,656
Net Assets at End of Year	<u>\$12,081,962</u>	<u>\$11,943,387</u>	<u>\$138,575</u>

Program receipts represent 15 percent of total receipts (slightly higher than the prior fiscal year) and primarily consist of restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales. Operating grants and contributions reflected as program receipts are restricted intergovernmental resources which are directly associated with certain governmental activities, such as special education funding and food service subsidies. The School District received additional grant resources in fiscal year 2010, in part due to American Reinvestment and Recovery Act resources, which resulted in an increase in operating grants and contributions. The decrease in general receipts was primarily due to a decrease in assessed valuations leading to lower property taxes and poor economic conditions resulting in lower income taxes.

Overall, program disbursements increased approximately 6 percent from the prior fiscal year. The most significant changes are reflected in the increase in the regular instruction and administration programs and generally related to scheduled salary and benefit increases, as well as an increase in the principal payments made on outstanding debt. The major program cost for governmental activities continues to be for instruction, which accounts for over 52 percent of all governmental disbursements. Other programs which directly support the instruction process, including pupils, instructional staff, and pupil transportation account for 12 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant cost, almost 8 percent. Therefore, 72 percent of the School District's disbursements are directly related to the primary functions of providing facilities and delivering education.

Swanton Local School District
 Fulton County
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2010
 Unaudited

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	
	2010	2009	2010	2009
Instruction:				
Regular	\$7,058,180	\$6,200,283	\$6,395,056	\$5,802,833
Special	1,704,268	1,805,609	541,542	1,053,138
Vocational			(4,381)	(4,348)
Support Services:				
Pupils	603,589	622,038	598,589	614,821
Instructional Staff	625,041	721,619	625,041	721,619
Board of Education	17,042	15,843	17,042	15,843
Administration	1,306,509	1,198,824	1,306,509	1,198,824
Fiscal	471,801	462,068	471,801	462,068
Business	1,604	2,340	1,604	2,340
Operation and Maintenance of Plant	1,336,665	1,343,199	1,336,665	1,343,199
Pupil Transportation	852,704	758,771	811,225	747,571
Central	12,601	33,298	3,456	21,298
Non-Instructional Services	607,585	696,999	73,247	150,362
Extracurricular Activities	475,211	521,237	390,606	416,663
Capital Outlay	295,067	349,271	295,067	349,271
Principal Retirement	955,000	440,000	955,000	440,000
Interest and Fiscal Charges	455,845	669,004	455,845	669,004
Total Expenses	<u>\$16,778,712</u>	<u>\$15,840,403</u>	<u>\$14,273,914</u>	<u>\$14,004,506</u>

The above table demonstrates the School District's significant dependence on general receipts as 85 percent of the current fiscal year's costs were paid for through general receipts. Note that only a very few of the school district's programs receive significant support from program receipts. For example, 68 percent of special instruction costs are provided for through operating grants restricted for special instruction programs. Approximately 88 percent of non-instructional services costs are paid for through program receipts. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. This program also includes disbursements made by the School District on behalf of St. Richards Catholic School. Approximately 18 percent of extracurricular activities costs are paid for through program receipts. These program receipts 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, 2010
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Of the School District's two major funds, there were no significant changes from the prior fiscal year.

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 2010, the School District amended its General Fund budget as needed. The final budget for receipts increased from the original budget by almost \$950,000. This increase was generally due to an increase in the estimate for income tax receipts from the .75 percent levy. Changes from the final budget to actual receipts were not significant.

For disbursements, the final budget increased from the original budget over \$623,000 and can generally be attributed to the increase in the estimate for regular instruction disbursements due to scheduled salary and benefit increases. Changes from final budget to actual disbursements were as a decrease of \$850,000; as final disbursements were more in line with the original budget.

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 2010, reflects a positive balance in years 2010 through 2014, 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 School District reduced the income tax rate from 1.25 percent to .75 percent. Collections at the reduced rate began January 1, 2010. The income tax collected for fiscal year 2010 was \$2,152,691. Future projections include a decrease in collection based on current economic indicators.

For fiscal year 2010, the School District projected reduced property collections from Lucas County of over 13 percent. This was due to decreasing property values and foreclosures. Fortunately, the School District only realized a 6 percent decrease in property taxes in fiscal year 2010 from Lucas County.

For fiscal year 2010, the Board of Education extended, for one year, the contract with the teacher's union. This extension included a 3 percent increase in salary.

The School District was able to take an insurance moratorium during fiscal year 2010 which saved the School District over \$300,000. The School District maintains a healthy reserve with its Health Care Consortium.

The State of Ohio has implemented a new funding system called the PASS system which projects an additional 2 percent reduction in State funding in fiscal year 2011. It is unclear what will occur after 2011; the financial impact of federal stimulus money and its continuation in the state or local economy.

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 - Cash Basis
 June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$10,137,448
Cash and Cash Equivalents with Fiscal Agent	1,944,514
Total Assets	\$12,081,962
 <u>Net Assets:</u>	
Restricted For:	
Debt Service	\$1,684,427
Capital Projects	178,743
Other Purposes	323,305
Unrestricted	9,895,487
Total Net Assets	\$12,081,962

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
 Fulton County
 Statement of Activities - Cash Basis
 For the Fiscal Year Ended June 30, 2010

	Program Revenues	
Disbursements	Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities:</u>		
Instruction:		
Regular	\$7,058,180	\$585,968
Special	1,704,268	92,829
Vocational		4,381
Support Services:		
Pupils	603,589	5,000
Instructional Staff	625,041	
Board of Education	17,042	
Administration	1,306,509	
Fiscal	471,801	
Business	1,604	
Operation and Maintenance of Plant	1,336,665	
Pupil Transportation	852,704	41,479
Central	12,601	9,145
Non-Instructional Services	607,585	260,770
Extracurricular Activities	475,211	78,759
Capital Outlay	295,067	
Debt Service:		
Principal Retirement	955,000	
Interest and Fiscal Charges	455,845	
Total Governmental Activities	\$16,778,712	\$1,018,326

General Receipts:

Property Taxes Levied for General Purposes
 Property Taxes Levied for Debt Service
 Property Taxes Levied for Permanent Improvements
 Income Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Interest
 Gifts and Donations
 Miscellaneous
 Total General Receipts

Change in Net Assets

Net Assets at Beginning of Year
 Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Disbursements) Receipts
and Change in Net Assets

Governmental
Activities

(\$6,395,056)
(541,542)
4,381

(598,589)
(625,041)
(17,042)
(1,306,509)
(471,801)
(1,604)
(1,336,665)
(811,225)
(3,456)
(73,247)
(390,606)
(295,067)

(955,000)
(455,845)

(14,273,914)

4,604,123
1,269,462
177,609
2,152,691
5,774,310
211,246
5,483
217,565

14,412,489

138,575

11,943,387

\$12,081,962

Swanton Local School District
 Fulton County
 Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 June 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,952,823	\$1,684,427	\$460,629	\$10,097,879
Cash and Cash Equivalents with Fiscal Agent	1,944,514			1,944,514
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	39,569			39,569
Total Assets	<u><u>\$9,936,906</u></u>	<u><u>\$1,684,427</u></u>	<u><u>\$460,629</u></u>	<u><u>\$12,081,962</u></u>
<u>Fund Balances:</u>				
Reserved for Bus Purchase	\$39,569			\$39,569
Reserved for Encumbrances	555,026		\$106,506	661,532
<u>Unreserved, Reported in:</u>				
General Fund	9,342,311			9,342,311
Special Revenue Funds			205,057	205,057
Debt Service Fund		\$1,684,427		1,684,427
Capital Projects Fund			149,066	149,066
Total Fund Balances	<u><u>\$9,936,906</u></u>	<u><u>\$1,684,427</u></u>	<u><u>\$460,629</u></u>	<u><u>\$12,081,962</u></u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Fulton County
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$4,604,123	\$1,269,462	\$177,609	\$6,051,194
Income Taxes	2,152,691			2,152,691
Intergovernmental	5,484,105	220,454	1,541,652	7,246,211
Interest	211,246		225	211,471
Tuition and Fees	678,597		200	678,797
Extracurricular Activities			125,310	125,310
Charges for Services			220,065	220,065
Gifts and Donations	5,483			5,483
Miscellaneous	127,539		98,526	226,065
Total Revenues	<u>13,263,784</u>	<u>1,489,916</u>	<u>2,163,587</u>	<u>16,917,287</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,602,694		455,486	7,058,180
Special	1,032,814		671,454	1,704,268
Support Services:				
Pupils	603,198		391	603,589
Instructional Staff	599,663		25,378	625,041
Board of Education	17,042			17,042
Administration	1,300,481		6,028	1,306,509
Fiscal	436,003	26,962	8,836	471,801
Business	1,604			1,604
Operation and Maintenance of Plant	1,336,665			1,336,665
Pupil Transportation	772,674		80,030	852,704
Central	12,601			12,601
Non-Instructional Services			607,585	607,585
Extracurricular Activities	299,831		175,380	475,211
Capital Outlay			295,067	295,067
Debt Service:				
Principal Retirement		955,000		955,000
Interest and Fiscal Charges		455,845		455,845
Total Expenditures	<u>13,015,270</u>	<u>1,437,807</u>	<u>2,325,635</u>	<u>16,778,712</u>
Excess of Receipts Over (Under) Disbursements	<u>248,514</u>	<u>52,109</u>	<u>(162,048)</u>	<u>138,575</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	71,138			71,138
Advances Out			(71,138)	(71,138)
Transfers In			190,898	190,898
Transfers Out	(189,000)		(1,898)	(190,898)
Total Other Financing Sources (Uses)	<u>(117,862)</u>		<u>117,862</u>	
Changes in Fund Balances	130,652	52,109	(44,186)	138,575
Fund Balances at Beginning of Year	<u>9,806,254</u>	<u>1,632,318</u>	<u>504,815</u>	<u>11,943,387</u>
Fund Balances at End of Year	<u>\$9,936,906</u>	<u>\$1,684,427</u>	<u>\$460,629</u>	<u>\$12,081,962</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
 Fulton County
 Statement of Receipts, Disbursements, and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Receipts:</u>				
Property Taxes	\$4,509,200	\$4,553,315	\$4,604,123	\$50,808
Income Taxes	1,300,000	2,152,691	2,152,691	
Intergovernmental	5,406,565	5,391,308	5,484,105	92,797
Interest	160,000	180,380	179,325	(1,055)
Tuition and Fees	621,500	665,942	678,597	12,655
Gifts and Donations	11,500	11,500	5,483	(6,017)
Miscellaneous	119,900	122,781	125,193	2,412
Total Revenues	<u>12,128,665</u>	<u>13,077,917</u>	<u>13,229,517</u>	<u>151,600</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	5,880,162	6,799,493	6,649,580	149,913
Special	1,642,994	1,202,672	1,055,434	147,238
Other	81,417	107,713	103,347	4,366
Support Services:				
Pupils	687,529	671,207	604,136	67,071
Instructional Staff	724,663	699,462	605,616	93,846
Board of Education	43,486	48,587	34,934	13,653
Administration	1,475,431	1,510,756	1,425,465	85,291
Fiscal	486,756	514,495	444,328	70,167
Business	3,200	3,200	2,392	808
Operation and Maintenance of Plant	1,586,510	1,638,376	1,522,260	116,116
Pupil Transportation	920,024	911,660	827,986	83,674
Central	40,000	15,500	12,601	2,899
Extracurricular Activities	243,145	315,620	299,831	15,789
Total Expenditures	<u>13,815,317</u>	<u>14,438,741</u>	<u>13,587,910</u>	<u>850,831</u>
Excess of Receipts				
Under Disbursements	<u>(1,686,652)</u>	<u>(1,360,824)</u>	<u>(358,393)</u>	<u>1,002,431</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	5,000	5,000	2,346	(2,654)
Refund of Prior Year Receipts	(320)	(320)		320
Advances In		71,138	71,138	
Transfers In	83,509	906		(906)
Transfers Out	(441,744)	(192,385)	(189,000)	3,385
Total Other Financing Sources (Uses)	<u>(353,555)</u>	<u>(115,661)</u>	<u>(115,516)</u>	<u>145</u>
Changes in Fund Balance	(2,040,207)	(1,476,485)	(473,909)	1,002,576
Fund Balance at Beginning of Year	7,515,535	7,515,535	7,515,535	
Prior Year Encumbrances Appropriated	394,148	394,148	394,148	
Fund Balance at End of Year	<u>\$5,869,476</u>	<u>\$6,433,198</u>	<u>\$7,435,774</u>	<u>\$1,002,576</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
 Fulton County
 Statement of Cash Basis Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$12,559	\$28,625
<u>Liabilities:</u>		
Undistributed Assets		\$28,625
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$12,559	

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Fulton County
Statement of Change in Cash Basis Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2010

<u>Additions:</u>	
Interest	\$51
<u>Deductions:</u>	<u> </u>
Change in Net Assets	51
Net Assets at Beginning of Year	<u>12,508</u>
Net Assets at End of Year	<u><u>\$12,559</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, 2010

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 384th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-six classified employees, eighty-two certified teaching personnel, and six administrative employees who provide services to 1,362 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 five jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Northwestern Ohio Educational Research Council, Inc., the Penta Career Center, the Ohio Schools Council Association, the Ohio School Plan, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, and the Swanton Public Library. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies – (Continued)

accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

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. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget, 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. 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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

E. 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”.

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 2010 was \$211,246, which includes \$35,758 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

F. 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, 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.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies – (Continued)

J. Net 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. 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.

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for bus purchase and encumbrances.

L. 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 receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.

Note 3 - Change in Basis of Accounting and Restatement of Fund Balance/Net Assets

A. Change in Basis of Accounting

For fiscal year 2010, the School District ceased to prepare its financial statements in accordance with generally accepted accounting principles and reported on the cash basis of accounting as described in Note 2C of the basic financial statements.

B. Restatement of Fund Balance/Net Assets

The restatement due to the change in the basis of accounting had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2009	\$9,774,448	\$1,723,700	\$442,517	\$11,940,665
Eliminate Asset Accruals	(6,210,281)	(1,429,121)	(424,454)	(8,063,856)
Eliminate Liability Accruals	6,242,087	1,337,739	486,752	8,066,578
Adjusted Fund Balance at June 30, 2009	<u>\$9,806,254</u>	<u>\$1,632,318</u>	<u>\$504,815</u>	<u>\$11,943,387</u>

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 3 - Change in Basis of Accounting and Restatement of Fund Balance/Net Assets –(Continued)

	Governmental Activities	Private Purpose Trust
Net Assets June 30, 2009	\$16,607,450	\$12,508
Eliminate Financial Statement Adjustments:		
Accounts Receivable	(19,400)	
Accrued Interest Receivable	(98,816)	
Intergovernmental Receivable	(137,251)	
Prepaid Items	(19,171)	
Inventory Held for Resale	(2,814)	
Materials and Supplies Inventory	(2,132)	
Income Taxes Receivable	(963,355)	
Property Taxes Receivable	(6,749,779)	
Unamortized Issuance Costs	(215,712)	
Capital Assets	(17,689,528)	
Accounts Payable	80,741	
Accrued Wages and Benefits Payable	780,899	
Intergovernmental Payable	323,150	
Claims Payable	270,170	
Separation Benefits Payable	4,500	
Matured Compensated Absences Payable	4,386	
Accrued Interest Payable	39,549	
Deferred Revenue	5,932,033	
Long-Term Liabilities:		
Due Within One Year	985,155	
Due Within More than One Year	12,813,312	
Adjusted Net Assets June 30, 2009	\$11,943,387	\$12,508

Note 4 - Accountability

At June 30, 2010, the Title II-D special revenue fund had a deficit fund balance, in the amount of \$1,850, resulting from disbursements in excess of receipts. The General Fund provides transfers to cover deficit balances when cash is needed.

Note 5 - Budgetary Basis of Accounting

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 Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. Outstanding year end encumbrances are treated as cash disbursements (budget basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end amounted to:

General Fund	\$555,026
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Note 6 - 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.

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.

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - 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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$173,420,110	82.70%	\$169,028,110	81.85%
Industrial/Commercial	31,001,110	14.78	32,125,820	15.56
Public Utility	5,281,830	2.52	5,357,280	2.59
Total Assessed Value	<u>\$209,703,050</u>	<u>100.00%</u>	<u>\$206,511,210</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$63.39		\$63.39	

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 8 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2010, 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.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$563,666			\$563,666
Depreciable Capital Assets				
Land Improvements	929,982			929,982
Buildings and Building Improvements	19,624,140			19,624,140
Furniture, Fixtures, and Equipment	984,626			984,626
Vehicles	1,388,217	\$81,730	(\$27,125)	1,442,822
Total Depreciable Capital Assets	22,926,965	81,730	(27,125)	22,981,570
Governmental Activities Capital Assets, Net	<u>\$23,490,631</u>	<u>\$81,730</u>	<u>(\$27,125)</u>	<u>\$23,545,236</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 2010, 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
Automobile Liability	3,000,000

Coverage provided by the Netherlands Insurance Company is as follows:

Building and Contents	44,153,095
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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 2010, 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.

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 \$500,000 per individual and \$1,000,000 aggregate. The School District's self-insured deductible is \$35,000. Amounts between \$35,000 and \$500,000 are paid from a shared risk pool. 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.

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Note 11 - Defined Benefit Pension Plans – (Continued)

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.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$674,618, \$664,422, and \$635,907, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for fiscal year ended June 30, 2010, were \$20,657 made by the School District and \$14,755 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$204,320, \$144,770, and \$144,264, respectively; 19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, none of the Board of Education members have elected Social Security.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$53,483, \$51,758, and \$49,466, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$31,975.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$7,354, \$66,253, and \$65,832, respectively; 19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$12,151, \$11,945, and \$10,395, respectively; 19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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. 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 2010.

For bus drivers and all other SERS employees, 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 for bus drivers, or seven years of service for all other SERS employees, 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 for bus drivers, ends in August 2011, and for all other SERS employees, ended in August 2010.

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 14 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
<u>General Obligation Bonds</u>					
FY01 School Improvement Bonds					
Serial Bonds 4.2-4.4%	\$1,420,000		\$365,000	\$1,055,000	\$430,000
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	441,283	\$76,254		517,537	
FY05 School Improvement Bonds					
Serial Bonds 3-3.25%	435,000		145,000	290,000	150,000
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	111,174	38,083		149,257	
Premium	161,497		15,059	146,438	
FY06 School Improvement Refunding Bonds					
Serial Bonds 3.75-4.2%	7,275,003		445,000	6,830,003	425,000
Capital Appreciation Bonds 4.4-4.7%	374,997			374,997	
Accretion of Capital Appreciation Bonds	177,167	69,575		246,742	
Premium	415,087		24,145	390,942	
Accounting Loss	(604,086)		(35,140)	(568,946)	
Total General Long-Term Obligation Bonds	<u>\$13,187,112</u>	<u>\$183,912</u>	<u>\$959,064</u>	<u>\$12,411,960</u>	<u>\$1,005,000</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 original 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, 2010

Note 14 - 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, 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.

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 original 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

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:

Year	Amount
2019	\$75,000
2020	80,000
2021	80,000

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 14 - Long-Term Obligations – (Continued)

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.

FY06 School Improvement Refunding 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 original amount of \$8,405,003 and \$374,997, respectively. 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.

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.

At June 30, 2010, \$8,780,000 of the refunded 2001 School Improvement Bonds was still outstanding.

The School District's overall debt margin was \$8,265,526 with an unvoted debt margin of \$201,234 at June 30, 2010.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, were as follows:

Swanton Local School District
Fulton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 14 - Long-Term Obligations – (Continued)

General Obligation Bonds					
Fiscal Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2011	\$1,005,000			\$417,547	\$1,422,547
2012	1,130,000			375,122	1,505,122
2013	25,000		\$311,446	835,307	1,171,753
2014	25,000		285,562	860,191	1,170,753
2015	25,000	\$650,000	27,982	450,845	1,153,827
2016-2020	1,480,000	1,135,000	374,997	2,362,734	5,352,731
2021-2025	4,140,000	470,000		584,412	5,194,412
2026	345,003	100,000		9,370	454,373
Total	\$8,175,003	\$2,355,000	\$999,987	\$5,895,528	\$17,425,518

Note 15 - 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 2010.

	Textbooks	Capital Improvements
Balance June 30, 2009	(\$113,695)	
Current Year Set Aside Requirement	210,311	\$210,311
Current Year Offsets	(34,657)	\$(210,311)
Qualifying Expenditures	(165,882)	
Balance June 30, 2010	(\$103,923)	

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.

Note 16 - Interfund Transfers

During fiscal year 2010, the General Fund transferred \$189,000 to other governmental funds to subsidize operations. Other governmental funds transferred \$1,898 to other governmental funds to repay resources provided in a prior year.

Note 17 - 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 2010, the School District paid \$35,839 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. 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.

D. 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, 9301 Buck Road, Perrysburg, Ohio 43551.

Note 17 - Jointly Governed Organizations – (Continued)

E. 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 III. This program allows the School District to purchase electricity at reduced rates if the School District commits to participating through May 2011. The School District makes monthly payments based on estimated usage. Estimates are compared to actual usage and adjustments are made annually.

Note 18 - 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-Schuetz 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-Schuetz 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-Schuetz 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.

C. Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool comprised of seventy-five members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plans participants. All participants pay

Note 18 - Insurance Pools – (Continued)

a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

Note 19 - 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 20 - 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, 2010.

B. Litigation

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR	Federal		
<i>Pass Through Grantor</i>	CFDA		
Program Title	Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	\$186,149	\$186,149
Non-Cash Assistance (Food Distribution)		53,959	53,959
Total National School Lunch Program		<u>240,108</u>	<u>240,108</u>
School Breakfast Program	10.553	<u>42,184</u>	<u>42,184</u>
Total U.S. Department of Agriculture		<u>282,292</u>	<u>282,292</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	193,656	190,107
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>56,033</u>	<u>57,256</u>
Total Title I, Part A Cluster		249,689	247,363
Title V	84.298	102	102
Safe and Drug Free Schools and Communities State Grants	84.186	3,666	3,757
Education Technology State Grants	84.318	1,185	3,473
Improving Teacher Quality State Grants	84.367	61,506	50,340
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	<u>272,822</u>	<u>259,152</u>
Total U.S. Department of Education		<u>588,970</u>	<u>564,187</u>
Total Federal Awards Receipts and Expenditures		<u>\$871,262</u>	<u>\$846,479</u>

The accompanying notes are an integral part of this Schedule.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • 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 (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2011, wherein we noted the District changed its accounting basis from accounting principles generally accepted in the United States of America to the cash basis. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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 matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 11, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Swanton Local School District, Fulton County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Swanton Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2011.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 11, 2011

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Program:	ARRA - State Fiscal Stabilization Fund – Education State Grants CFDA # 84.394 Nutrition Cluster: National School Lunch Program CFDA #10.555 School Breakfast Program CFDA #10.553
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • 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 29, 2011