



Mary Taylor, CPA
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	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Comparison (Non GAAP Budgetary Basis) - General Fund	18
Statement of Fiduciary Net Assets - Fiduciary Funds.....	19
Statement of Change in Fiduciary Net Assets – Private Purpose Trust Fund.....	20
Notes to the Basic Financial Statements.....	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2009, on our consideration of the School 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.

Swanton Local School District
Fulton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 13, 2009

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

The discussion and analysis of Swanton Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2008 are as follows:

- In total, net assets increased \$3,749,259, almost 34 percent. Although revenues decreased and expenses increased, revenues continued to exceed expenses which provided for the net increase overall.
- General revenues accounted for 86 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

Using the Basic Financial Statements

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Swanton Local School District, the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)**

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

Table 1			
Net Assets			
	Governmental Activities		
	2008	2007	Change
Assets:			
Current and Other Assets	\$21,599,746	\$17,039,384	\$4,560,362
Capital Assets, Net	17,965,381	18,241,864	(276,483)
Total Assets	<u>39,565,127</u>	<u>35,281,248</u>	<u>4,283,879</u>
Liabilities:			
Current and Other Liabilities	10,190,926	8,860,740	1,330,186
Long-Term Liabilities	14,577,950	15,373,516	(795,566)
Total Liabilities	<u>24,768,876</u>	<u>24,234,256</u>	<u>534,620</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,938,965	4,316,988	621,977
Restricted	2,285,345	1,979,897	305,448
Unrestricted	7,571,941	4,750,107	2,821,834
Total Net Assets	<u>\$14,796,251</u>	<u>\$11,046,992</u>	<u>\$3,749,259</u>

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)**

A review of the above table reveals several significant changes from fiscal year 2007. Current and other assets increased over \$4.5 million. The largest percent of this increase is reflected in cash and cash equivalents. During fiscal year 2008, revenues decreased by 2 percent while expenses increased by 8 percent. However, revenues continued to exceed expenses overall providing for additional cash on hand at fiscal year end. In addition, there was a significant increase in cash being held by the School District's third-party administrator for insurance as contributions made by the School District exceeded amounts needed to pay claims. These increases also resulted in the increase in unrestricted net assets. One other increase in current and other assets was an increase in property taxes receivable and specifically a significant increase in tangible personal property taxes receivable related to values the County failed to recognize in prior years. This increase also resulted in an increase in deferred revenue as reflected above in the increase in current and other liabilities. Another change of note is the decrease in long-term liabilities due to the payment of principal on long-term debt. This decrease is also reflected in the increase in invested in capital assets.

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

**Table 2
Change in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007	Change
Revenues			
Program Revenues			
Charges for Services	\$ 1,210,367	\$ 892,853	\$ 317,514
Operating Grants, Contributions, and Interest	1,369,666	1,373,643	(3,977)
Capital Grants and Contributions	34,635	137,818	(103,183)
Total Program Revenues	<u>2,614,668</u>	<u>2,404,314</u>	<u>210,354</u>
General Revenues			
Property Taxes Levied for General Purposes	5,673,416	6,622,070	(948,654)
Property Taxes Levied for Recreation	57,416	61,450	(4,034)
Property Taxes Levied for Debt Service	1,224,248	1,321,251	(97,003)
Property Taxes Levied for Permanent Improvements	327,905	379,015	(51,110)
Income Taxes	2,442,997	2,338,136	104,861
Grants and Entitlements	5,403,155	5,066,647	336,508
Interest	417,706	337,582	80,124
Gifts and Donations	9,617	21,558	(11,941)
Miscellaneous	166,729	210,595	(43,866)
Total General Revenues	<u>15,723,189</u>	<u>16,358,304</u>	<u>(635,115)</u>
Total Revenues	<u>18,337,857</u>	<u>18,762,618</u>	<u>(424,761)</u>
Expenses			
Instruction:			
Regular	6,174,550	5,724,938	(449,612)
Special	1,484,646	1,320,063	(164,583)

(Continued)

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities 2008	Governmental Activities 2007	Change
Expenses (Continued)			
Support Services:			
Pupils	581,349	603,205	21,856
Instructional Staff	798,371	443,349	(355,022)
Board of Education	7,833	98,022	90,189
Administration	1,142,478	1,143,802	1,324
Fiscal	495,806	394,793	(101,013)
Business	2,435	2,923	488
Operation and Maintenance of Plant	1,161,588	1,133,814	(27,774)
Pupil Transportation	747,929	740,901	(7,028)
Central	54,075	29,696	(24,379)
Non-Instructional Services	671,611	702,727	31,116
Extracurricular Activities	563,188	449,073	(114,115)
Interest and Fiscal Charges	702,739	728,694	25,955
Total Expenses	<u>14,588,598</u>	<u>13,516,000</u>	<u>(1,072,598)</u>
Increase in Net Assets	3,749,259	5,246,618	(1,497,359)
Net Assets at Beginning of Year	11,046,992	5,800,374	5,246,618
Net Assets at End of Year	<u>\$14,796,251</u>	<u>\$11,046,992</u>	<u>\$3,749,259</u>

Program revenues represent almost 14 percent of total revenues (slightly more than the prior fiscal year) and primarily consist of restricted intergovernmental revenues, tuition, fees, charges for extracurricular activities, and food service sales. Operating grants and contributions and capital grants and contributions reflected as program revenues are restricted intergovernmental resources which are directly associated with certain governmental activities, such as special education funding and food service subsidies, as well as resources restricted for capital acquisition. An increase in excess costs in fiscal year 2008 led to the increase in charges for services revenue. The decrease in capital grants and contributions was due to a decrease in permanent improvement donations.

The decrease in general revenues was approximately 4 percent, with the largest decreases reflected in property taxes. A portion of this can be attributed to the reduction and eventual elimination of tangible personal property taxes. Overall, total revenues decreased a modest 2 percent.

Overall, program expenses increased 8 percent from the prior fiscal year, a good portion of which can be attributed to annual salary and benefit increases. The major program expense for governmental activities continues to be for instruction, which accounts for over 53 percent of all governmental expenses. Other programs which directly support the instruction process, including pupils, instructional staff, and pupil transportation account for 15 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, almost 8 percent. Therefore, 76 percent of the School District's expenses are directly related to the primary functions of providing facilities and delivering education.

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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)**

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$ 6,174,550	\$ 5,724,938	\$ 5,122,324	\$ 5,005,729
Special	1,484,646	1,320,063	670,858	500,833
Vocational			(28,012)	(12,218)
Support Services:				
Pupils	581,349	603,205	572,432	594,282
Instructional Staff	798,371	443,349	798,371	443,349
Board of Education	7,833	98,022	7,833	98,022
Administration	1,142,478	1,143,802	1,142,478	1,143,802
Fiscal	495,806	394,793	495,806	394,793
Business	2,435	2,923	2,435	2,923
Operation and Maintenance of Plant	1,161,588	1,133,814	1,161,588	1,133,814
Pupil Transportation	747,929	740,901	735,821	718,778
Central	54,075	29,696	42,075	17,696
Non-Instructional Services	671,611	702,727	94,450	(10,833)
Extracurricular Activities	563,188	449,073	452,732	352,022
Interest and Fiscal Charges	702,739	728,694	702,739	728,694
Total Expenses	\$14,588,598	\$13,516,000	\$11,973,930	\$11,111,686

The above table demonstrates the School District's significant dependence on general revenues as over 82 percent of the current fiscal year's costs were paid for through general revenues. Note that only a very few of the school district's programs receive significant support from program revenues. For example, 55 percent of special instruction costs are provided for through operating grants restricted for special instruction programs. This is down from 62 percent in fiscal year 2007 due to reductions in grant funding for special needs. Approximately 86 percent of non-instructional services expenses are paid for through program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. However, this is also lower than fiscal year 2007 because of severance payments to cafeteria staff and lower federal reimbursements based on serving counts. Approximately 20 percent of extracurricular activities expenses are paid for through program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, fund balance increased over \$3,000,000 from fiscal year 2007. While revenues in the General Fund remained about the same as the prior fiscal year and expenditures increased somewhat (8 percent), revenues continue to outpace expenditures providing for the overall increase in fund balance. Fund balance in the Bond Retirement debt service fund increased over \$242,000 due to transfers from the General Fund. The Permanent Improvement capital projects fund had an 18 percent decrease in fund balance due to capital outlay expenditures exceeding revenues.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)**

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 2008, the School District amended its General Fund budget as needed. The final budget for revenues increased from the original budget by \$2.7 million, or 21 percent. With the exception of property taxes, which increased due to a revaluation in Lucas County, all other revenue sources increased somewhat (due to conservative estimates). Changes from the final budget to actual revenues were not significant.

For expenditures, the final budget increased from the original budget by \$1.2 million, or almost 10 percent; however, there were no significant changes in any one line item. From the final budget to actual expenditures, there was a decrease of \$1.4 million (very close to the original budget amounts). Again, there were no significant changes in any one line item for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$17,965,381 invested in capital assets (net of accumulated depreciation), a decrease of less than 2 percent. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

The School District's outstanding debt obligations at fiscal year end included tax anticipation notes, in the amount of \$440,000. In addition, outstanding general obligation bonds were \$13,972,285 and energy conversation loans were \$35,000. The School District's long-term obligations also included compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

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 2008, reflects a positive balance, with current levies being renewed. The collection of income taxes has significantly helped the School District's financial achievement as reflected in the five-year forecast. The income tax, originally projected at collecting \$2,018,000 per year, is currently collecting over \$2,300,000 per year. The School District was able to reduce the income tax rate from 1.25 percent collection to .75 percent collection. Collections at the reduced rate will begin January 1, 2010. The new tax rate is estimated to collect approximately \$1.4 million and was approved by voters in November 2008.

The School District did not renew a Park and Recreation Levy and it expired in December 2008. The levy's effective collection rate was .4 mills. The School District also let a Permanent Improvement levy expire in December 2008. The Permanent Improvement levy collected an effective rate of 3.4 mills. The School District has decided to set aside 1 mill of inside millage for permanent improvements. The combined estimated savings to taxpayers with the lower income tax and the expired Park and Recreation and Permanent Improvement levies is estimated at over \$1.1 million per year.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
(Continued)**

The Board of Education negotiated a two-year agreement with the teacher's union for fiscal years 2009 through 2011. This agreement provides for a 3 percent increase for each year as well as an increase in the employee contribution to health care cost.

Health insurance premiums remained constant in 2009. In 2010, employees will pay more for their health insurance as part of the negotiated agreement. The School District maintains a healthy reserve with its Health Care Consortium.

The School District was able to eliminate all of the General Fund debt in December 2008. The outstanding tax anticipation notes and the energy conservation loan were paid in full. Currently, the School District has no debt being retired from the General Fund.

Even though the School District experienced a decrease in revenues and an increase in expenses in fiscal year 2008, we were able to maintain a healthy carryover by keeping expenses below revenues for the year. This was done through staff attrition, close monitoring of expenses, and frugal financial planning.

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.

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**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,457,461
Cash and Cash Equivalents with Fiscal Agent	1,484,331
Accounts Receivable	36,786
Accrued Interest Receivable	17,774
Intergovernmental Receivable	110,970
Prepaid Items	3,427
Inventory Held for Resale	7,534
Materials and Supplies Inventory	2,047
Income Taxes Receivable	1,105,031
Property Taxes Receivable	9,140,680
Unamortized Issuance Costs	233,705
Nondepreciable Capital Assets	563,666
Depreciable Capital Assets, Net	17,401,715
Total Assets	<u>39,565,127</u>
 Liabilities:	
Accounts Payable	58,961
Accrued Wages and Benefits Payable	1,019,365
Intergovernmental Payable	320,924
Claims Payable	193,554
Separation Benefits Payable	22,500
Matured Compensated Absences Payable	32,067
Accrued Interest Payable	51,283
Notes Payable	440,000
Deferred Revenue	8,052,272
Long-Term Liabilities:	
Due Within One Year	1,046,509
Due in More Than One Year	13,531,441
Total Liabilities	<u>24,768,876</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	4,938,965
Restricted For:	
Debt Service	1,443,094
Capital Projects	413,755
Other Purposes	428,496
Unrestricted	7,571,941
Total Net Assets	<u><u>\$14,796,251</u></u>

See accompanying notes to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Instruction:				
Regular	\$6,174,550	\$814,449	\$237,777	
Special	1,484,646		813,788	
Vocational			28,012	
Support Services:				
Pupils	581,349		8,917	
Instructional Staff	798,371			
Board of Education	7,833			
Administration	1,142,478			
Fiscal	495,806			
Business	2,435			
Operation and Maintenance of Plant	1,161,588			
Pupil Transportation	747,929			\$12,108
Central	54,075		12,000	
Non-Instructional Services	671,611	313,607	263,554	
Extracurricular Activities	563,188	82,311	5,618	22,527
Interest and Fiscal Charges	702,739			
Total Governmental Activities	<u><u>\$14,588,598</u></u>	<u><u>\$1,210,367</u></u>	<u><u>\$1,369,666</u></u>	<u><u>\$34,635</u></u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Recreation
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 Revenues

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 (Expense) Revenue
and Change in Net Assets**

**Governmental
Activities**

(\$5,122,324)
(670,858)
28,012

(572,432)
(798,371)
(7,833)
(1,142,478)
(495,806)
(2,435)
(1,161,588)
(735,821)
(42,075)
(94,450)
(452,732)
(702,739)

(11,973,930)

5,673,416
57,416
1,224,248
327,905
2,442,997
5,403,155
417,706
9,617
166,729

15,723,189

3,749,259

11,046,992

\$14,796,251

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$7,287,463	\$1,430,030	\$367,796	\$341,958	\$9,427,247
Cash and Cash Equivalents with Fiscal Agent	1,484,331				1,484,331
Accounts Receivable	36,441			345	36,786
Accrued Interest Receivable	17,774				17,774
Intergovernmental Receivable	4,435			106,535	110,970
Prepaid Items	3,427				3,427
Inventory Held for Resale				7,534	7,534
Materials and Supplies Inventory				2,047	2,047
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	30,214				30,214
Income Taxes Receivable	1,105,031				1,105,031
Property Taxes Receivable	6,888,289	1,716,117	451,851	84,423	9,140,680
Total Assets	<u><u>16,857,405</u></u>	<u><u>3,146,147</u></u>	<u><u>819,647</u></u>	<u><u>542,842</u></u>	<u><u>21,366,041</u></u>
Liabilities and Fund Balances:					
Liabilities					
Accounts Payable	\$28,705		\$17,236	\$13,020	\$58,961
Accrued Wages and Benefits Payable	985,018			34,347	1,019,365
Intergovernmental Payable	298,910			22,014	320,924
Claims Payable	193,554				193,554
Separation Benefits Payable				22,500	22,500
Matured Compensated Absences Payable	11,751			20,316	32,067
Notes Payable	440,000				440,000
Deferred Revenue	6,635,000	\$1,569,584	409,898	150,386	8,764,868
Total Liabilities	<u><u>8,592,938</u></u>	<u><u>1,569,584</u></u>	<u><u>427,134</u></u>	<u><u>262,583</u></u>	<u><u>10,852,239</u></u>
Fund Balances:					
Reserved for Property Taxes	313,666	94,922	19,061	3,665	431,314
Reserved for Bus Purchase	30,214				30,214
Reserved for Encumbrances	150,941		124,522	87,372	362,835
Unreserved, Reported in:					
General Fund	7,769,646				7,769,646
Special Revenue Funds				189,222	189,222
Debt Service Fund		1,481,641			1,481,641
Capital Projects Fund			248,930		248,930
Total Fund Balances	<u><u>8,264,467</u></u>	<u><u>1,576,563</u></u>	<u><u>392,513</u></u>	<u><u>280,259</u></u>	<u><u>10,513,802</u></u>
Total Liabilities and Fund Balances	<u><u>\$16,857,405</u></u>	<u><u>\$3,146,147</u></u>	<u><u>\$819,647</u></u>	<u><u>\$542,842</u></u>	<u><u>\$21,366,041</u></u>

See accompanying notes to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total Governmental Fund Balances		\$10,513,802
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		17,965,381
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$31,967	
Accrued Interest Receivable	8,043	
Intergovernmental Receivable	72,403	
Property Taxes Receivable	600,183	
		712,596
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		233,705
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(51,283)	
General Obligation Bonds Payable	(13,972,285)	
Energy Conservation Loan Payable	(35,000)	
Compensated Absences Payable	(570,665)	
		(14,629,233)
Net Assets of Governmental Activities		\$14,796,251

See accompanying notes to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:					
Property Taxes	\$5,670,658	\$1,218,957	\$324,700	\$56,683	\$7,270,998
Income Taxes	2,452,327				2,452,327
Intergovernmental	5,483,112	228,242	56,494	950,653	6,718,501
Interest	409,663			9,981	419,644
Tuition and Fees	832,644			499	833,143
Extracurricular Activities				132,798	132,798
Charges for Services				240,471	240,471
Gifts and Donations	9,617		22,527	5,158	37,302
Miscellaneous	109,949			86,805	196,754
Total Revenues	<u>14,967,970</u>	<u>1,447,199</u>	<u>403,721</u>	<u>1,483,048</u>	<u>18,301,938</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,442,637			186,647	5,629,284
Special	979,069			473,380	1,452,449
Support Services:					
Pupils	575,685				575,685
Instructional Staff	761,358			13,057	774,415
Board of Education	7,833				7,833
Administration	1,120,635			5,333	1,125,968
Fiscal	457,821	22,830	5,736	4,996	491,383
Business	2,435				2,435
Operation and Maintenance of Plant	1,140,217				1,140,217
Pupil Transportation	695,673				695,673
Central	54,075				54,075
Non-Instructional Services				670,271	670,271
Extracurricular Activities	283,545			222,740	506,285
Capital Outlay			486,336		486,336
Debt Service:					
Principal Retirement		930,000			930,000
Interest and Fiscal Charges	22,242	528,956			551,198
Total Expenditures	<u>11,543,225</u>	<u>1,481,786</u>	<u>492,072</u>	<u>1,576,424</u>	<u>15,093,507</u>
Excess of Revenues Over (Under) Expenditures	<u>3,424,745</u>	<u>(34,587)</u>	<u>(88,351)</u>	<u>(93,376)</u>	<u>3,208,431</u>
Other Financing Sources (Uses):					
Transfers In	6,835	276,682		130,269	413,786
Transfers Out	(406,951)			(6,835)	(413,786)
Total Other Financing Sources (Uses)	<u>(400,116)</u>	<u>276,682</u>		<u>123,434</u>	
Changes in Fund Balances	3,024,629	242,095	(88,351)	30,058	3,208,431
Fund Balances at Beginning of Year	5,239,838	1,334,468	480,864	250,201	7,305,371
Fund Balances at End of Year	<u>\$8,264,467</u>	<u>\$1,576,563</u>	<u>\$392,513</u>	<u>\$280,259</u>	<u>\$10,513,802</u>

See accompanying notes to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Changes in Fund Balances - Total Governmental Funds \$3,208,431

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

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

Capital Outlay - Nondepreciable Capital Assets	\$61,490	
Capital Outlay - Depreciable Capital Assets	107,747	
Depreciation	<u>(445,720)</u>	(276,483)

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

Property Taxes	11,987	
Income Taxes	(9,330)	
Intergovernmental	35,626	
Interest	8,043	
Tuition and Fees	(4,058)	
Miscellaneous	<u>(6,349)</u>	35,919

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

General Obligation Bonds	895,000	
Energy Conservation Loan	<u>35,000</u>	930,000

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

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

Accrued Interest Payable	5,384	
Annual Accretion	(147,714)	
Amortization of Premium	48,645	
Amortization of Issuance Costs	(19,558)	
Amortization of Accounting Loss	<u>(38,298)</u>	(151,541)

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

2,933

Change in Net Assets of Governmental Activities

\$3,749,259

See accompanying notes to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
Property Taxes	\$4,534,137	\$6,248,725	\$6,498,725	\$250,000
Income Taxes	2,272,107	2,501,237	2,501,237	
Intergovernmental	5,093,570	5,444,490	5,478,677	34,187
Interest	270,000	328,000	336,252	8,252
Tuition and Fees	447,585	662,976	841,623	178,647
Gifts and Donations	9,000	9,300	9,617	317
Miscellaneous	138,731	275,485	120,887	(154,598)
Total Revenues	<u>12,765,130</u>	<u>15,470,213</u>	<u>15,787,018</u>	<u>316,805</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,681,300	6,024,971	5,674,575	350,396
Special	1,025,844	1,150,595	1,019,157	131,438
Other	6,515	56,883	41,419	15,464
Support Services:				
Pupils	716,752	723,524	624,147	99,377
Instructional Staff	531,601	861,634	780,060	81,574
Board of Education	10,275	11,525	6,263	5,262
Administration	1,332,372	1,441,043	1,169,767	271,276
Fiscal	480,033	544,532	472,318	72,214
Business	3,000	3,000	2,435	565
Operation and Maintenance of Plant	1,404,712	1,531,263	1,262,058	269,205
Pupil Transportation	906,609	941,610	787,545	154,065
Central	40,000	55,000	55,000	
Extracurricular Activities	303,100	319,500	284,394	35,106
Total Expenditures	<u>12,442,113</u>	<u>13,665,080</u>	<u>12,179,138</u>	<u>1,485,942</u>
Excess of Revenues Over Expenditures	<u>323,017</u>	<u>1,805,133</u>	<u>3,607,880</u>	<u>1,802,747</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures		100	15	(85)
Refund of Prior Year Receipts	(3,000)	(1,000)		1,000
Advances In	10,000			
Advances Out	(50,000)			
Transfers In		6,835	6,835	
Transfers Out	(322,242)	(406,966)	(406,951)	15
Total Other Financing Sources (Uses)	<u>(365,242)</u>	<u>(401,031)</u>	<u>(400,101)</u>	<u>930</u>
Changes in Fund Balance	(42,225)	1,404,102	3,207,779	1,803,677
Fund Balance at Beginning of Year	3,767,673	3,767,673	3,767,673	
Prior Year Encumbrances Appropriated	142,840	142,840	142,840	
Fund Balance at End of Year	<u>\$3,868,288</u>	<u>\$5,314,615</u>	<u>\$7,118,292</u>	<u>\$1,803,677</u>

See accompanying notes to the basic financial statements.

SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUN 30, 2008

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$12,425</u>	<u>\$35,771</u>
Liabilities:		
Undistributed Assets	<u> </u>	<u>\$35,771</u>
Net Assets:		
Held in Trust for Scholarships	<u>\$12,425</u>	

See accompanying notes to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Additions:	
Interest	\$126
Deductions:	
	<hr/>
Change in Net Assets	126
Net Assets at Beginning of Year	<u>12,299</u>
Net Assets at End of Year	<u><u>\$12,425</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, 2008**

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 401st largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-seven classified employees, eighty-seven certified teaching personnel, and six administrative employees who provide services to 1,346 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 six 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 Joint Recreation Board, 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 19, 20, and 21 to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

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

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

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

2. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for the provision of college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

1. Government-Wide Financial Statements

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

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

D. Basis of Accounting

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

1. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget, 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.

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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

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

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

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 2008 was \$409,663, which includes \$91,012 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, 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.

J. Unamortized Issuance Costs/Premium

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the debt is issued.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

L. Compensated Absences

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

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

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

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as liabilities on the fund financial statements when due.

N. Unamortized Loss on Advance Refunding

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. As of June 30, 2008, there were no net assets restricted by enabling legislation.

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

P. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, bus purchase, and encumbrances.

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

Q. Interfund Transactions

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

R. Estimates

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

3. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$8,715 and \$32,719, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

4. ACCOUNTABILITY

At June 30, 2008, the Food Service and Education Management Information Systems special revenue funds had deficit fund balances, in the amount of \$41,450 and \$31, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (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. The major differences between the budget basis and the GAAP basis are as follows:

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

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

Changes in Fund Balance	
GAAP Basis	\$3,024,629
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	2,548,879
Accrued FY 2008, Not Yet Received in Cash	(1,416,970)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,608,468)
Accrued FY 2008, Not Yet Paid in Cash	1,101,683
Cash Adjustments:	
Unrecorded Activity FY 2007	11,669
Unrecorded Activity FY 2008	(82,273)
Prepaid Items	17,696
Note Principal Retirement	(220,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(169,066)
Budget Basis	\$3,207,779

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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$219,191 of the School District's bank balance of \$9,941,530 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

7. RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Ohio Department of Education	\$ 4,435
Other Governmental Funds	
Food Service	16,671
Entry Year	4,800
Other State Grants	33,513
Title I	41,854
Title VI	3,346
Drug Free	417
Title II-A	5,668
Miscellaneous Federal Grants	266
Total Other Governmental Funds	106,535
Total Intergovernmental Receivables	\$110,970

8. INCOME TAXES

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was effective on March 2, 2004, for a five-year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. 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 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, 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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2008.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. PROPERTY TAXES (Continued)

The amount available as an advance at June 30, 2008, was \$313,666 in the General Fund, \$3,665 in the Recreation special revenue fund, \$94,922 in the Bond Retirement debt service fund, and \$19,061 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$225,751 in the General Fund, \$2,439 in the Recreation special revenue fund, \$67,684 in the Bond Retirement debt service fund, and \$13,090 in the Permanent Improvement capital projects fund.

The late settlement made by the counties for fiscal year 2008 was \$140,486 in the General Fund, \$2,775 in the Recreation special revenue fund, \$51,611 in the Bond Retirement debt service fund, and \$22,892 in the Permanent Improvement capital projects fund. The late settlement made by the counties for fiscal year 2007 was \$1,298,710 in the General Fund (due to a one-time payment from a company previously written off), \$9,172 in the Recreation special revenue fund, \$170,593 in the Bond Retirement debt service fund, and \$75,666 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$163,777,120	78.54%	\$169,094,730	79.61%
Industrial/Commercial	28,904,970	13.86	30,024,850	14.13
Public Utility	7,170,080	3.44	5,423,690	2.55
Tangible Personal	8,675,881	4.16	7,877,816	3.71
Total Assessed Value	<u>\$208,528,051</u>	<u>100.00%</u>	<u>\$212,421,086</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$67.78		\$67.43	

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 563,666			\$ 563,666
Construction in Progress	336,039	\$61,490	(\$397,539)	
Total Non-depreciable Capital Assets	<u>899,705</u>	<u>61,490</u>	<u>(397,539)</u>	<u>563,666</u>
Depreciable Capital Assets				
Land Improvements	489,477	422,005		911,482
Buildings and Building Improvements	19,624,140			19,624,140
Furniture, Fixtures, and Equipment	886,892	83,271		970,163
Vehicles	1,316,411			1,316,411
Total Depreciable Capital Assets	<u>22,316,920</u>	<u>505,276</u>		<u>22,822,196</u>

(Continued)

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. CAPITAL ASSETS (Continued)

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>
Less Accumulated Depreciation				
Land Improvements	(205,773)	(15,807)		(221,580)
Buildings and Building Improvements	(3,509,090)	(324,345)		(3,833,423)
Furniture, Fixtures, and Equipment	(360,750)	(52,224)		(412,974)
Vehicles	(899,248)	(53,344)		(952,592)
Total Accumulated Depreciation	<u>(4,974,761)</u>	<u>(445,720)</u>		<u>(5,420,481)</u>
Depreciable Capital Assets, Net	17,342,159	59,556		17,401,715
Governmental Activities Capital Assets, Net	<u>\$18,241,864</u>	<u>\$121,046</u>	<u>(\$397,529)</u>	<u>\$17,965,381</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$217,365
Special		13,733
Support Services:		
Pupils		3,366
Instructional Staff		21,521
Administration		20,827
Fiscal		1,625
Operation and Maintenance of Plant		18,092
Pupil Transportation		53,541
Non-Instructional Services		38,747
Extracurricular Activities		56,903
Total Depreciation Expense		<u>\$445,720</u>

11. 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 2008, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

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

Coverage provided by the Netherlands Insurance Company is as follows:

Building and Contents	42,454,895
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Coverage provided by Grange Mutual Casualty Company is as follows:

Vehicle Liability	1,000,000
Uninsured/Underinsured Motorists	100,000

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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. RISK MANAGEMENT (Continued)

For fiscal year 2008, 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.

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 \$400,000 per individual and \$1,000,000 aggregate. The School District's self-insured deductible is \$35,000. Amounts between \$35,000 and \$400,000 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. Claims payable at June 30, 2008, were estimated by the third-party administrator at \$193,554.

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

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2008	\$294,654	\$491,511	\$592,611	\$193,554
2007	410,348	647,654	763,348	294,654

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS), 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, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on 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.

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, 2008, 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. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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, 2008, 2007, and 2006 was \$635,907, \$621,869, and \$591,256, respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006. Contributions for the DCP and CP for fiscal year ended June 30, 2008, were \$7,151 made by the School District and \$10,944 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 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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2008, 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 2008, 9.16 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, 2008, 2007, and 2006 was \$144,264, \$148,834, and \$142,536, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, 2007, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POST-EMPLOYMENT 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 2008, 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, 2008, 2007, and 2006 was \$49,466, \$48,033, and \$45,594 respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. POST-EMPLOYMENT BENEFITS (Continued)

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 2008, 4.18 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 2008, this amount was \$89,588.

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, 2008, 2007, and 2006 was \$65,832, \$49,413, and \$49,742 respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$10,395, \$10,121, and \$11,345 respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

14. 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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. OTHER EMPLOYEE BENEFITS (Continued)

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 2008.

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, for bus drivers, or seven years of service for all SERS employees, with the School District, must meet all eligibility requirements for retirement under SERS, and must indicate a retirement date before August 1, preceding their year of eligibility. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ends in June 2009.

At June 30, 2007, the School District had a liability for separation benefits of \$34,500. During fiscal year 2008, the School District had additional separation benefits of \$33,000 and paid separation benefits of \$45,000. At June 30, 2008, the School District had a liability for separation benefits of \$22,500.

15. NOTES PAYABLE

The School District's notes payable activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Rate</u>	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>
Governmental Activities					
Tax Anticipation Notes	3.37%	\$660,000		\$220,000	\$440,000

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

Principal and interest requirements to retire the tax anticipation notes outstanding at June 30, 2008, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$220,000	\$14,828	\$234,828
2010	220,000	7,414	227,414
Total	\$440,000	\$22,242	\$462,242

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

16. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY01 School Improvement Bonds					
Serial Bonds 3-4.4%	\$ 1,915,000		\$ 195,000	\$ 1,720,000	\$300,000
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	305,102	\$65,506		370,608	
FY05 School Improvement Bonds					
Serial Bonds 2.5-3.25%	850,000		215,000	635,000	200,000
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	51,575	27,335		78,910	
Premium	204,597		22,329	182,268	
Governmental Activities					
FY06 School Improvement					
Refunding Bonds					
Serial Bonds 3.75-4.2%	8,200,003		485,000	\$7,715,003	\$440,000
Capital Appreciation Bonds					
4.4-4.7%	374,997			374,997	
Accretion of Capital					
Appreciation					
Bonds	60,505	54,873		115,378	
Premium	465,278		26,316	438,962	
Accounting Loss	(677,129)		(38,298)	(638,831)	
Total General Obligation Bonds	14,729,918	147,714	905,347	13,972,285	940,000
FY99 Energy Conservation Loan					
4.6%	70,000		35,000	35,000	35,000
Compensated Absences Payable	573,598	72,270	75,203	570,665	71,509
Total Governmental Activities					
Long -Term Obligations	<u>\$15,373,516</u>	<u>\$219,984</u>	<u>\$1,015,550</u>	<u>\$14,577,950</u>	<u>\$1,046,509</u>

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

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

Year	Amount
2014	\$650,000

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$1,300,000. For fiscal year 2008, \$65,506 was accreted for a total bond value of \$895,600 at fiscal year end.

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

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

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

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:

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

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

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

Year	Amount
2023	\$110,000
2024	115,000

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$435,000. For fiscal year 2008, \$27,335 was accreted for a total bond value of \$178,908 at fiscal year end.

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 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. For fiscal year 2008, \$54,873 was accreted for a total bond value of \$490,375 at fiscal year end.

At June 30, 2008, \$8,780,000 of the refunded 2001 School Improvement Bonds was still outstanding.

FY99 Energy Conservation Loan - On January 27, 1999, the School District obtained a loan, in the amount of \$293,634, to provide energy conservation measures for the School District. The loan was obtained under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a nine year period, with final maturity during fiscal year 2009. The loan is being repaid through 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, 2008
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$6,044,882 with an unvoted debt margin of \$199,203 at June 30, 2008.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008, were as follows:

General Obligation Bonds					
Fiscal Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2009	\$ 940,000			\$ 492,285	\$ 1,432,285
2010	955,000			455,845	1,410,845
2011	1,005,000			417,547	1,422,547
2012	1,130,000			375,122	1,505,122
2013	25,000		\$311,446	835,307	1,171,753
2014-2018	75,000	\$1,615,000	688,541	3,195,033	5,573,574
2019-2023	3,840,000	415,000		942,657	5,197,657
2024-2026	2,100,003	325,000		129,862	2,554,865
Total	<u>\$10,070,003</u>	<u>\$2,355,000</u>	<u>\$999,987</u>	<u>\$6,843,658</u>	<u>\$20,268,648</u>

Energy Conservation Loan			
Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$35,000	\$805	\$35,805

17. 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 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	(\$42,694)	
Current Year Set Aside Requirement	213,095	\$213,095
Current Year Offsets	(104,008)	(213,095)
Qualifying Expenditures	(103,587)	
Balance June 30, 2008	<u>(\$37,194)</u>	<u></u>

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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

18. INTERFUND TRANSFERS

During fiscal year 2008, the General Fund transferred \$130,269 to other governmental funds to subsidize operations and \$276,682 to the Bond Retirement debt service fund as debt payments came due. Other governmental funds transferred \$6,835 to the General Fund to repay resources provided in a prior year.

19. 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 2008, the School District paid \$45,959 to NWOCA for various services. Financial information can be obtained from Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

C. Joint Recreation Board

The Joint Recreation Board was created under Ohio Revised Code Section 755.14 and includes the School District and the Village of Swanton. Projects undertaken by the Joint Recreation Board are approved by the Board of Education and Village Council. The Joint Recreation Board consists of four representatives appointed by the Swanton Board of Education and five representatives appointed by the Village of Swanton. The degree of control exercised by the School District is limited to its representation on the Joint Recreation Board. The Swanton Local School District Board of Education resolved to withdraw from participation in the Joint Recreation Board effective February 17, 2009. Financial information can be obtained from the Swanton Local School District, 108 North Main Street, Swanton, Ohio 43558-1032.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Northwestern Ohio Educational Research Council, Inc.

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

E. Penta Career Center

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

F. Ohio Schools Council Association

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

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

20. INSURANCE POOLS

A. Ohio School Plan

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

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

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 \$400,000, and all claims between the deductible limit and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plans participants. All participants pay 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 \$400,000, 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.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

21. 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.

22. 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, 2008.

B. Litigation

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

23. SUBSEQUENT EVENTS

In December 2008, the School District fully retired the remaining tax anticipation notes which were not due to be fully retired until fiscal year 2010.

Beginning January 1, 2010, the School District's income tax rate will be reduced from 1.25 percent to .75 percent.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 13, 2009. 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 School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

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

We noted certain matters that we reported to the School District's management in a separate letter dated May 13, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the School 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 a noncompliance matter that we reported to the School District's management in a separate letter dated May 13, 2009.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 13, 2009



Mary Taylor, CPA
Auditor of State

SWANTON LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 16, 2009**