



Dave Yost • Auditor of State



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during 2011 the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. The federal awards expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

February 21, 2012

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

The discussion and analysis of Swanton Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2011 are as follows:

In total, net assets decreased \$477,728, or 4 percent.

General revenues accounted for 84 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

For business-type activities, 87 percent of total revenues were generated by the programs.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

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

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

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

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

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental and business-type activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business activity draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service activities. These services are primarily funded by property and income tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The community recreation program is reported as a business-type activity.

Reporting the School District's Most Significant Funds

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

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

Enterprise Fund - The School District's enterprise fund is used to report the same function that is presented as a business-type activity on the government-wide financial statements and uses the accrual basis of accounting. The School District uses an enterprise fund to account for the community recreation program.



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

Table 1  
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$9,776,785	\$10,089,980	\$21,844	\$47,468	\$9,798,629	\$10,137,448
Cash and Cash Equivalents with Fiscal Agent	1,805,605	1,944,514			1,805,605	1,944,514
<b>Total Assets</b>	<b>11,582,390</b>	<b>12,034,494</b>	<b>21,844</b>	<b>47,468</b>	<b>11,604,234</b>	<b>12,081,962</b>
<u>Net Assets</u>						
Restricted	1,992,956	2,186,475			1,992,956	2,186,475
Unrestricted	9,589,434	9,848,019	21,844	47,468	9,611,278	9,895,487
<b>Total Net Assets</b>	<b>\$11,582,390</b>	<b>\$12,034,494</b>	<b>\$21,844</b>	<b>\$47,468</b>	<b>\$11,604,234</b>	<b>\$12,081,962</b>

The decrease in net assets for governmental activities was almost 4 percent. This decrease is largely the result of decreases in income tax and interest revenues and reflective of the stagnant economic conditions.

There was a 54 percent decrease in net assets for the business-type activity due to program costs exceeding fees for fiscal year 2011.

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$1,046,137	\$977,621	\$49,174	\$40,705	\$1,095,311	\$1,018,326
Operating Grants and Contributions	1,498,625	1,486,472			1,498,625	1,486,472
Total Program Revenues	2,544,762	2,464,093	49,174	40,705	2,593,936	2,504,798
General Revenues						
Property Taxes Levied for General Purposes	4,538,210	4,604,123			4,538,210	4,604,123
Property Taxes Levied for Debt Service	1,271,465	1,269,462			1,271,465	1,269,462
Property Taxes Levied for Permanent Improvements	175,265	177,609			175,265	177,609
Income Taxes	1,635,304	2,152,691			1,635,304	2,152,691
Grants and Entitlements	5,686,409	5,767,667			5,686,409	5,767,667
Interest	63,875	211,246			63,875	211,246
Gifts and Donations	13,500	5,483			13,500	5,483
Other	337,213	217,565	7,137	6,643	344,350	224,208
Total General Revenues	13,721,241	14,405,846	7,137	6,643	13,728,378	14,412,489
Total Revenues	16,266,003	16,869,939	56,311	47,348	16,322,314	16,917,287
<u>Expenses</u>						
Instruction:						
Regular	6,671,840	7,058,180			6,671,840	7,058,180
Special	1,869,783	1,704,268			1,869,783	1,704,268
Support Services:						
Pupils	644,603	603,589			644,603	603,589
Instructional Staff	709,742	625,041			709,742	625,041
Board of Education	35,091	17,042			35,091	17,042
Administration	1,301,573	1,306,509			1,301,573	1,306,509
Fiscal	466,140	471,801			466,140	471,801
Business	8,819	1,604			8,819	1,604
Operation and Maintenance of Plant	1,314,794	1,336,665			1,314,794	1,336,665
Pupil Transportation	897,484	852,704			897,484	852,704
Central	48,307	12,601			48,307	12,601
Non-Instructional Services	549,168	542,524			549,168	542,524
Extracurricular Activities	459,467	475,211			459,467	475,211
Capital Outlay	318,749	295,067			318,749	295,067
Principal Retirement	1,005,000	955,000			1,005,000	955,000
Interest and Fiscal Charges	417,547	455,845			417,547	455,845
Recreation			81,935	65,061	81,935	65,061
Total Expenses	16,718,107	16,713,651	81,935	65,061	16,800,042	16,778,712
Increase (Decrease) in Net Assets	(452,104)	156,288	(25,624)	(17,713)	(477,728)	138,575
Net Assets at Beginning of Year	12,034,494	11,878,206	47,468	65,181	12,081,962	11,943,387
Net Assets at End of Year	\$11,582,390	\$12,034,494	\$21,844	\$47,468	\$11,604,234	\$12,081,962

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

For governmental activities, program receipts represent 16 percent of total receipts (slightly higher than the prior fiscal year) and primarily consist of restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales. Operating grants and contributions reflected as program receipts are restricted intergovernmental resources which are directly associated with certain governmental activities, such as special education funding and food service subsidies. There was a decrease in general revenues of almost 5 percent. As mentioned previously, this decrease is largely the result of decreases in income tax and interest revenues and reflective of the sluggish economic conditions of the past several years.

Program disbursements for governmental activities remained very similar to the prior fiscal year. The major program cost for governmental activities continues to be for instruction, which accounts for 51 percent of all governmental disbursements. Other programs which directly support the instruction process including pupils, instructional staff, and pupil transportation account for 13 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant cost, almost 8 percent.

For the business-type activity, although there was a sizable increase in charges for services (almost 21 percent), there was also a substantial increase in the cost of programs provided during fiscal year 2011 (26 percent). As a result, there was an overall decrease in net assets for the fiscal year.

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.

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$6,671,840	\$7,058,180	\$5,725,062	\$6,395,056
Special	1,869,783	1,704,268	912,262	541,542
Vocational			(4,411)	(4,381)
Support Services:				
Pupils	644,603	603,589	639,603	598,589
Instructional Staff	709,742	625,041	709,742	625,041
Board of Education	35,091	17,042	35,091	17,042
Administration	1,301,573	1,306,509	1,301,573	1,306,509
Fiscal	466,140	471,801	466,140	471,801
Business	8,819	1,604	8,819	1,604
Operation and Maintenance of Plant	1,314,794	1,336,665	1,314,794	1,336,665
Pupil Transportation	897,484	852,704	897,484	811,225
Central	48,307	12,601	(2,310)	3,456
Non-Instructional Services	549,168	542,524	57,799	8,186
Extracurricular Activities	459,467	475,211	370,401	390,606
Capital Outlay	318,749	295,067	318,749	295,067
Principal Retirement	1,005,000	955,000	1,005,000	955,000
Interest and Fiscal Charges	417,547	455,845	417,547	455,845
<b>Total Expenses</b>	<b>\$16,718,107</b>	<b>\$16,713,651</b>	<b>\$14,173,345</b>	<b>\$14,208,853</b>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

The above table demonstrates the School District's significant dependence on general receipts as 85 percent of the current fiscal year's costs were paid for through general receipts. Note that only a very few of the School District's programs receive significant support from program receipts. For example, 51 percent of special instruction costs are provided for through operating grants restricted for special instruction programs. Approximately 89 percent of non-instructional services costs are paid for through program receipts. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. This program also includes disbursements made by the School District on behalf of St. Richards Catholic School. Approximately 19 percent of extracurricular activities costs are paid for through program receipts. These program receipts are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The change in fund balance for both of the School District's major funds was not significant.

The School District's business-type activity, which accounts for a community recreation program, had a decrease in net assets due to the cost of programs exceeding fees collected in fiscal year 2011.

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 2011, the School District amended its General Fund budget as needed. The changes from the original budget to the final budget and from the final budget to actual receipts were not significant.

For disbursements, the changes from the original budget to the final budget were not significant. The change from final budget to actual disbursements was a decrease of over \$2 million with substantial savings reflected in almost all programs and generally due to conservative budgeting and the School District's monitoring of actual disbursements.

Debt Administration

At June 30, 2011, long-term obligations consisted of general obligation bonds for buildings and other improvements, in the amount of \$11,607,444. For further information regarding the School District's long-term obligations, refer to Note 13 to the basic financial statements.

Current Issues

For fiscal year 2010, the Board of Education extended, for one year, the contract with the teacher's union. This extension included a 3 percent increase in salary for the 2010-2011 school year. Negotiations began with the teachers' union in April 2011 with mediation in the fall of 2011. In December 2011, the Board of Education declared the negotiations at an impasse and implemented the last and best offer presented by the Board in negotiations. Later in December, the teachers union voted to authorize a strike but no notice has been sent to the Board of Education of their intent to go on strike.

The School District was able to take an insurance moratorium during fiscal year 2011 which saved the School District over \$500,000. The School District maintains a healthy reserve with its Health Care Consortium to cover any incurred, but not reported claims.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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 Joyce Kinsman, 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 - Cash Basis  
 June 30, 2011

	Governmental Activities	Business-Type Activity	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$9,776,785	\$21,844	\$9,798,629
Cash and Cash Equivalents with Fiscal Agent	1,805,605		1,805,605
Total Assets	\$11,582,390	\$21,844	\$11,604,234
 <u>Net Assets:</u>			
Restricted For:			
Debt Service	\$1,758,121		\$1,758,121
Capital Projects	102,324		102,324
Other Purposes	132,511		132,511
Unrestricted	9,589,434	\$21,844	9,611,278
Total Net Assets	\$11,582,390	\$21,844	\$11,604,234

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District  
 Fulton County  
 Statement of Activities - Cash Basis  
 For the Fiscal Year Ended June 30, 2011

	Program Receipts	
Disbursements	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>		
Instruction:		
Regular	\$6,671,840	\$731,456
Special	1,869,783	30,236
Vocational		4,411
Support Services:		
Pupils	644,603	5,000
Instructional Staff	709,742	
Board of Education	35,091	
Administration	1,301,573	
Fiscal	466,140	
Business	8,819	
Operation and Maintenance of Plant	1,314,794	
Pupil Transportation	897,484	
Central	48,307	50,617
Non-Instructional Services	549,168	200,957
Extracurricular Activities	459,467	83,488
Capital Outlay	318,749	
Debt Service:		
Principal Retirement	1,005,000	
Interest and Fiscal Charges	417,547	
Total Governmental Activities	16,718,107	1,046,137
 <u>Business-Type Activity:</u>		
Recreation	81,935	49,174
Total	\$16,800,042	\$1,095,311
		\$1,498,625

General Receipts:

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

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)  
 Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements



Net (Disbursements) Receipts and Change in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$5,725,062)		(\$5,725,062)
(912,262)		(912,262)
4,411		4,411
(639,603)		(639,603)
(709,742)		(709,742)
(35,091)		(35,091)
(1,301,573)		(1,301,573)
(466,140)		(466,140)
(8,819)		(8,819)
(1,314,794)		(1,314,794)
(897,484)		(897,484)
2,310		2,310
(57,799)		(57,799)
(370,401)		(370,401)
(318,749)		(318,749)
(1,005,000)		(1,005,000)
(417,547)		(417,547)
<u>(14,173,345)</u>		<u>(14,173,345)</u>
	<u>(\$32,761)</u>	<u>(32,761)</u>
<u>(14,173,345)</u>	<u>(32,761)</u>	<u>(14,206,106)</u>
4,538,210		4,538,210
1,271,465		1,271,465
175,265		175,265
1,635,304		1,635,304
5,686,409		5,686,409
63,875		63,875
13,500		13,500
337,213	7,137	344,350
<u>13,721,241</u>	<u>7,137</u>	<u>13,728,378</u>
(452,104)	(25,624)	(477,728)
12,034,494	47,468	12,081,962
<u>\$11,582,390</u>	<u>\$21,844</u>	<u>\$11,604,234</u>

Swanton Local School District  
 Fulton County  
 Statement of Cash Basis Assets and Fund Balances  
 Governmental Funds  
 June 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,783,829	\$1,758,121	\$186,746	\$9,728,696
Cash and Cash Equivalents with Fiscal Agent	1,805,605			1,805,605
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	48,089			48,089
Total Assets	<u>\$9,637,523</u>	<u>\$1,758,121</u>	<u>\$186,746</u>	<u>\$11,582,390</u>
<u>Fund Balances:</u>				
Restricted	\$48,716	\$1,758,121	\$186,746	\$1,993,583
Assigned	229,050			229,050
Unassigned	9,359,757			9,359,757
Total Fund Balances	<u>\$9,637,523</u>	<u>\$1,758,121</u>	<u>\$186,746</u>	<u>\$11,582,390</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District  
Fulton County  
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$4,538,210	\$1,271,465	\$175,265	\$5,984,940
Income Taxes	1,635,304			1,635,304
Intergovernmental	5,396,717	243,379	1,539,360	7,179,456
Interest	63,875			63,875
Tuition and Fees	761,692			761,692
Extracurricular Activities			88,886	88,886
Charges for Services			200,957	200,957
Gifts and Donations	13,500		180	13,680
Other	329,052		8,161	337,213
Total Revenues	<u>12,738,350</u>	<u>1,514,844</u>	<u>2,012,809</u>	<u>16,266,003</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,116,026		555,814	6,671,840
Special	1,322,573		547,210	1,869,783
Support Services:				
Pupils	644,271		332	644,603
Instructional Staff	698,465		11,277	709,742
Board of Education	35,091			35,091
Administration	1,294,713		6,860	1,301,573
Fiscal	428,539	18,603	18,998	466,140
Business	8,819			8,819
Operation and Maintenance of Plant	1,314,794			1,314,794
Pupil Transportation	897,484			897,484
Central	8,128		40,179	48,307
Non-Instructional Services	3,313		545,855	549,168
Extracurricular Activities	281,492		177,975	459,467
Capital Outlay			318,749	318,749
Debt Service:				
Principal Retirement		1,005,000		1,005,000
Interest and Fiscal Charges		417,547		417,547
Total Expenditures	<u>13,053,708</u>	<u>1,441,150</u>	<u>2,223,249</u>	<u>16,718,107</u>
Excess of Receipts Over (Under) Disbursements	<u>(315,358)</u>	<u>73,694</u>	<u>(210,440)</u>	<u>(452,104)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In			85,783	85,783
Transfers Out	(85,783)			(85,783)
Total Other Financing Sources (Uses)	<u>(85,783)</u>		<u>85,783</u>	
Changes in Fund Balances	(401,141)	73,694	(124,657)	(452,104)
Fund Balances at Beginning of Year - Restated (Note 3)	<u>10,038,664</u>	<u>1,684,427</u>	<u>311,403</u>	<u>12,034,494</u>
Fund Balances at End of Year	<u>\$9,637,523</u>	<u>\$1,758,121</u>	<u>\$186,746</u>	<u>\$11,582,390</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District  
 Fulton County  
 Statement of Receipts, Disbursements, and Changes in Fund Balance  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Receipts:</u>				
Property Taxes	\$4,774,115	\$4,774,115	\$4,538,210	(\$235,905)
Income Taxes	2,114,192	2,114,192	1,635,304	(478,888)
Intergovernmental	5,029,514	5,029,514	5,396,717	367,203
Interest	175,888	175,888	63,875	(112,013)
Tuition and Fees	665,623	670,623	761,692	91,069
Gifts and Donations	5,483	5,483	13,500	8,017
Other	194,700	249,700	329,052	79,352
Total Revenues	<u>12,959,515</u>	<u>13,019,515</u>	<u>12,738,350</u>	<u>(281,165)</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	7,119,036	6,703,023	6,139,272	563,751
Special	1,206,234	1,384,902	1,322,883	62,019
Support Services:				
Pupils	667,147	707,661	644,405	63,256
Instructional Staff	730,961	829,627	702,620	127,007
Board of Education	51,350	65,049	35,091	29,958
Administration	1,676,890	1,683,611	1,294,713	388,898
Fiscal	559,840	629,540	428,539	201,001
Business	2,392	11,392	8,819	2,573
Operation and Maintenance of Plant	1,784,710	1,801,923	1,415,170	386,753
Pupil Transportation	908,790	1,004,840	903,188	101,652
Central	86,000	8,128	8,128	
Extracurricular Activities	295,185	371,785	284,805	86,980
Total Expenditures	<u>15,088,535</u>	<u>15,201,481</u>	<u>13,187,633</u>	<u>2,013,848</u>
Excess of Disbursements Over Receipts	<u>(2,129,020)</u>	<u>(2,181,966)</u>	<u>(449,283)</u>	<u>1,732,683</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	73,578	73,578		(73,578)
Transfers Out	(44,000)	(102,000)	(85,783)	16,217
Total Other Financing Sources (Uses)	<u>29,578</u>	<u>(28,422)</u>	<u>(85,783)</u>	<u>(57,361)</u>
Changes in Fund Balance	(2,099,442)	(2,210,388)	(535,066)	1,675,322
Fund Balance at Beginning of Year	9,469,141	9,469,141	9,469,141	
Prior Year Encumbrances Appropriated	569,523	569,523	569,523	
Fund Balance at End of Year	<u>\$7,939,222</u>	<u>\$7,828,276</u>	<u>\$9,503,598</u>	<u>\$1,675,322</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District  
Fulton County  
Statement of Fund Net Assets - Cash Basis  
Enterprise Fund  
June 30, 2011

	<u>Recreation</u>
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$21,844</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$21,844</u></u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District  
 Fulton County  
 Statement of Revenues, Expenses, and Changes in Fund Net Assets - Cash Basis  
 Enterprise Fund  
 For the Fiscal Year Ended June 30, 2011

	Recreation
<u>Operating Revenues:</u>	
Charges for Services	\$49,174
Other Operating Revenues	7,137
Total Operating Revenues	56,311
 <u>Operating Expenses:</u>	
Salaries	21,152
Fringe Benefits	6,631
Purchased Services	9,912
Materials and Supplies	42,460
Other Operating Expenses	1,780
Total Operating Expenses	81,935
 Change in Net Assets	 (25,624)
 Net Assets at Beginning of Year - Restated (Note 3)	 47,468
Net Assets at End of Year	\$21,844

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District  
 Fulton County  
 Statement of Cash Flows - Cash Basis  
 Enterprise Fund  
 For the Fiscal Year Ended June 30, 2011

	<u>Recreation</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$49,174
Cash Payments for Salaries	(21,152)
Cash Payments for Fringe Benefits	(6,631)
Cash Payments for Goods and Services	(52,372)
Cash Received from Other Revenues	7,137
Cash Payments for Other Expenses	(1,780)
Net Cash Used for Operating Activities	(25,624)
Cash and Cash Equivalents at Beginning of Year	47,468
Cash and Cash Equivalents at End of Year	\$21,844

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District  
 Fulton County  
 Statement of Cash Basis Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2011

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$12,584	\$25,180
<u>Liabilities:</u>		
Undistributed Assets		\$25,180
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$12,584	

See Accompanying Notes to the Basic Financial Statements



Swanton Local School District  
Fulton County  
Statement of Change in Cash Basis Fiduciary Net Assets  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2011

<u>Additions:</u>	
Interest	\$25
 <u>Deductions:</u>	
Change in Net Assets	25
Net Assets at Beginning of Year	12,559
Net Assets at End of Year	<u>\$12,584</u>

See Accompanying Notes to the Basic Financial Statements

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**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1887 and serves an area of approximately forty-two square miles. It is located in Fulton and Lucas Counties, and includes all of the Village of Swanton and portions of Fulton, Hardin, Spencer, Swancreek, and Swanton Townships. The School District is the 380<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-nine classified employees, ninety-three certified teaching personnel, and six administrative employees who provide services to 1,389 students and other community members. The School District currently operates four instructional buildings and an administration building.

**Reporting Entity**

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

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

The School District's reporting entity includes the following:

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

The School District participates in five jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Northwestern Ohio Educational Research Council, Inc., the Penta Career Center, the Ohio Schools Council Association, the Ohio School Plan, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, and the Swanton Public Library. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements 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).

The statement of net assets presents the cash balance of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities and the business-type activity. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business activity is self-financing on a cash basis or draws from the School District's general receipts.

**Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial reporting is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major governmental funds are the General Fund and the Bond Retirement debt service 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 property taxes and related receipts restricted for the payment of principal and interest on general obligation bonds.

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's enterprise fund accounts for a community recreation program.

Fiduciary Funds

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

**C. Basis of Accounting**

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

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

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

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

Cash and cash equivalents that were held separately with the School District's third-party administrator totaling \$1,805,605, 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 2011 was \$63,875, which includes \$11,253 assigned from other School District funds.

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

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

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent unexpended revenues restricted for bus purchases.

**G. Capital Assets**

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

**H. Compensated Absences**

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

**I. Long-Term Obligations**

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

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**L. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the enterprise fund. For the School District, these receipts are charges for services for the recreation program. Operating disbursements are the necessary costs incurred to provide the service that is the primary activity of the fund. All receipts and disbursements not meeting these definitions are reported as nonoperating.

**M. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

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

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



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**A. Change in Accounting Principles**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

**B. Restatement of Fund Balance/Net Assets**

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$9,936,906	\$1,684,427	\$460,629	\$12,081,962
Change in Fund Structure	101,758		(149,226)	(47,468)
Adjusted Fund Balance at June 30, 2010	<u>\$10,038,664</u>	<u>\$1,684,427</u>	<u>\$311,403</u>	<u>\$12,034,494</u>

The restatement for the implementation of GASB Statement No. 54 had the following effect on net assets.

	Total Governmental Activities	Total Business-Type Activity
Net Assets at June 30, 2010	\$12,081,962	
Change in Fund Structure	(47,468)	\$47,468
Restated Net Assets at June 30, 2010	<u>\$12,034,494</u>	<u>\$47,468</u>

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Change in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (cash basis). The amount of encumbrances outstanding at year end was \$133,925 in the General Fund. Interest earned and deposited into the School District's bank accounts but not yet recorded within the accounting records was \$40.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 5 - Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in

commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 5 - Deposits and Investments (Continued)**

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, \$4,519,832 of the School District's bank balance of \$9,911,378 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, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Note 6 - 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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 6 - Property Taxes (Continued)**

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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$169,028,110	81.85%	\$168,824,860	82.30%
Industrial/Commercial	32,125,820	15.56	30,581,280	14.91
Public Utility	5,357,280	2.59	5,713,240	2.79
Total Assessed Value	<u>\$206,511,210</u>	<u>100.00%</u>	<u>\$205,119,380</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$63.39		\$63.69	

**Note 7 - Income Taxes**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2010, for a five-year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$563,666			\$563,666
Depreciable Capital Assets				
Land Improvements	929,982	\$22,4500		\$952,432
Buildings and Building Improvements	19,624,140			19,624,140
Furniture, Fixtures, and Equipment	984,626	55,209		1,039,835
Vehicles	1,442,822	83,513	(\$65,600)	1,460,735
Total Depreciable Capital Assets	<u>22,981,570</u>	<u>161,172</u>	<u>(65,600)</u>	<u>23,077,142</u>
Governmental Activities Capital Assets, Net	<u>\$23,545,236</u>	<u>\$161,172</u>	<u>(\$65,600)</u>	<u>\$23,640,808</u>

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 9 - 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 2011, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

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

Coverage provided by the Netherlands Insurance Company is as follows:

Building and Contents	48,609,959
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2011, 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 \$500,000 per individual and \$1,000,000 aggregate. The School District's self-insured deductible is \$35,000. Amounts between \$35,000 and \$500,000 are paid from a shared risk pool. Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 10 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$697,157 and \$6,414 for the fiscal year ended June 30, 2011, \$674,618 and \$5,586 for the fiscal year ended June 30, 2010, and \$664,422 for the fiscal year ended June 30, 2009. For fiscal year 2011, 83 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$16,255 made by the School District and \$11,611 made by the plan members. In addition, member contributions of \$4,581 were made for fiscal year 2011 for the defined contribution portion of the CP.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 10 - Defined Benefit Pension Plans (Continued)**

**B. School Employees Retirement System**

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$181,519, \$204,320, and \$144,770, respectively. For fiscal year 2011, 42 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

**Note 11 - Postemployment Benefits**

**A. State Teachers Retirement System**

Plan Description - The School District participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$55,371, \$53,483, and \$51,758, respectively. For fiscal year 2011, 83 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 11 - Postemployment Benefits (Continued)**

**B. School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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 105(e). For fiscal year 2011, 1.43 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 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$25,724 in surcharge.

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, 2011, 2010, and 2009 was \$21,979, \$7,354, and \$66,253, respectively; 42 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$11,681, \$12,151, and \$11,945, respectively. For fiscal year 2011, 42 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

**Note 12 - 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 thirty years of service.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 12 - 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 2011.

For bus drivers and all other SERS employees, a cash payment of \$4,500 is made to all bargaining unit members who elect to retire under normal circumstances and in the first year they are eligible. The employee has the option of participating with a Board approved annuity company for deferring all or a portion of the payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year or take the payment at the time of retirement. To qualify, the employee must have at least fifteen years of service with the School District for bus drivers, or seven years of service for all other SERS employees, must meet all eligibility requirements for retirement under SERS, and must indicate a retirement date before August 1 preceding their year of eligibility. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period for bus drivers, ended in August 2011, and for all other SERS employees, ends in August 2012.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 13 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
<u>General Obligation Bonds</u>					
FY01 School Improvement Bonds					
Serial Bonds 4.2-4.4%	\$1,055,000		\$430,000	\$625,000	\$625,000
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	517,537	\$82,271		599,808	
FY05 School Improvement Bonds					
Serial Bonds 3-3.25%	290,000		150,000	140,000	140,000
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	149,257	44,951		194,208	
Premium	146,438		15,579	130,859	
FY06 School Improvement Refunding Bonds					
Serial Bonds 3.75-4.2%	6,830,003		425,000	6,405,003	365,000
Capital Appreciation Bonds 4.4-4.7%	374,997			374,997	
Accretion of Capital Appreciation Bonds	246,742	78,341		325,083	
Premium	390,942		23,060	367,882	
Accounting Loss	(568,946)		(33,560)	(535,386)	
<b>Total General Long-Term Obligation Bonds</b>	<b>\$12,411,960</b>	<b>\$205,563</b>	<b>\$1,010,079</b>	<b>\$11,607,444</b>	<b>\$1,130,000</b>

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

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 13 - Long-Term Obligations (Continued)**

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

Year	Amount
2014	\$650,000

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$1,300,000.

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

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

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

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 13 - Long-Term Obligations (Continued)**

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

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

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

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$435,000.

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

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

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 13 - Long-Term Obligations (Continued)**

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$1,410,000.

At June 30, 2011, \$8,780,000 of the refunded 2001 School Improvement Bonds was still outstanding.

The School District's overall debt margin was \$9,186,793 with an unvoted debt margin of \$199,485 at June 30, 2011.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011, were as follows:

General Obligation Bonds					
Fiscal Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2012	\$1,130,000			\$375,122	\$1,505,122
2013	25,000		\$311,446	835,307	1,171,753
2014	25,000		285,562	860,191	1,170,753
2015	25,000	\$650,000	27,982	450,845	1,153,827
2016	25,000	780,000		298,220	1,103,220
2017-2021	2,220,000	435,000	374,997	2,254,137	5,284,134
2022-2026	3,720,003	490,000		404,159	4,614,162
Total	\$7,170,003	\$2,355,000	\$999,987	\$5,477,981	\$16,002,971

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 14 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music			\$512	\$512
Bus Purchase	\$48,716			48,716
Debt Retirement		\$1,758,121		1,758,121
Drug Education and Prevention			6,507	6,507
English Proficiency			101	101
Network Connectivity			7,955	7,955
Noninstructional Services			23,124	23,124
Nonpublic Schools			20,437	20,437
Permanent Improvements			102,324	102,324
Professional Development			77	77
Regular Instruction			19,151	19,151
Special Instruction			6,558	6,558
Total Restricted	<u>48,716</u>	<u>1,758,121</u>	<u>186,746</u>	<u>1,993,583</u>
Assigned for:				
Educational Activities	\$95,125			\$95,125
Unpaid Obligations	133,925			133,925
Total Assigned	<u>229,050</u>			<u>229,050</u>
Unassigned:	9,359,757			9,359,757
Total Fund Balance	<u>\$9,637,523</u>	<u>\$1,758,121</u>	<u>\$186,746</u>	<u>\$11,582,390</u>

**Note 15 - Set Asides**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	(\$103,923)	
Current Year Set Aside Requirement	194,624	\$194,624
Current Year Offsets	(33,699)	(194,624)
Qualifying Expenditures	(185,812)	
Balance June 30, 2011	<u>(\$128,810)</u>	

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 15 - Set Asides (Continued)**

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**Note 16 - Interfund Transfers**

During fiscal year 2011, the General Fund transferred \$85,783 to other governmental funds to subsidize operations.

**Note 17 - Jointly Governed Organizations**

**A. Northwest Ohio Computer Association**

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2010, the School District paid \$62,771 to NWOCA for various services. Financial information can be obtained from Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

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

**C. Northwestern Ohio Educational Research Council, Inc.**

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

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 17 - Jointly Governed Organizations (Continued)**

**D. Penta Career Center**

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education. The Career Center operates under the direction of a Board consisting of one representative from each of the sixteen participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

**E. Ohio Schools Council Association**

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

The School District participates in the Council's prepaid electricity program, Energy for Education Program III. This program allows the School District to purchase electricity at reduced rates if the School District commits to participating through May 2011. The School District makes monthly payments based on estimated usage. Estimates are compared to actual usage and adjustments are made annually.

**Note 18 - Insurance Pools**

**A. Ohio School Plan**

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

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

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



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 18 - Insurance Pools (Continued)**

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool comprised of seventy-five members, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plans participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

**Note 19 - Related Organization**

The Swanton Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Swanton Board of Education. The Board of Trustees possesses its own budgeting and contracting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Swanton Public Library, 305 Chestnut Street, Swanton, Ohio 43558.

**Note 20 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. Litigation**

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

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**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title		Federal CFDA Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Lunch Program:				
Cash Assistance		10.555	\$191,061	\$191,061
Non-Cash Assistance (Food Distribution)			40,137	40,137
			231,198	231,198
School Breakfast Program		10.553	48,600	48,600
Total U.S. Department of Agriculture			<b>279,798</b>	<b>279,798</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	FY 10	84.010	26,687	30,235
	FY 11	84.010	167,756	163,367
			194,443	193,602
ARRA - Title I Grants to Local Educational Agencies	FY 10	84.389	1,222	3,000
	FY 11	84.389	42,299	42,299
			43,521	45,299
Total Title I, Part A Cluster			237,964	238,901
Job Education Fund	FY 11	84.410	176,219	166,200
Safe and Drug Free Schools and Communities State Grants	FY10	84.186	90	
	FY11		1,265	1,258
			1,355	1,258
Education Technology State Grants	FY11	84.318	2,409	1,210
Improving Teacher Quality State Grants	FY 10	84.367		11,167
	FY 11		26,974	39,862
			26,974	51,029
ARRA - State Fiscal Stabilization Fund - Education State Grants		84.394	302,418	302,418
Total U.S. Department of Education			<b>747,339</b>	<b>761,016</b>
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$1,027,137</b>	<b>\$1,040,814</b>

The accompanying notes are an integral part of this Schedule.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Swanton Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Swanton Local School District  
Fulton County  
108 North Main Street  
Swanton, Ohio 43558-1032

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Swanton Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2012, wherein we noted the District prepared its financial statements on the cash basis. We also noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

[www.ohioauditor.gov](http://www.ohioauditor.gov)

Swanton Local School District  
Fulton County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 21, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 21, 2012



# Dave Yost • Auditor of State

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

Swanton Local School District  
Fulton County  
108 North Main Street  
Swanton, Ohio 43558-1032

To the Board of Education:

### Compliance

We have audited the compliance of Swanton Local School District, Fulton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

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

In our opinion, the Swanton Local School District, Fulton County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 21, 2012.

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

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**Dave Yost**  
Auditor of State

February 21, 2012



**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Swanton Local School District  
Fulton County  
108 North Main Street  
Swanton, Ohio 43558-1032

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Swanton Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on March 2, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 21, 2012

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# Dave Yost • Auditor of State

**SWANTON LOCAL SCHOOL DISTRICT**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 8, 2012**