

***SWANTON LOCAL SCHOOL DISTRICT***

***FULTON COUNTY***

**Audit Report**

**For the Year Ended June 30, 2014**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Swanton Local School District, Fulton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Swanton Local School District is responsible for compliance with these laws and regulations.

Dave Yost  
Auditor of State

March 31, 2015

**This page intentionally left blank.**

SWANTON LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
 AUDIT REPORT  
 For the Year Ending June 30, 2014

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1-3
Management's Discussion and Analysis.....	4-13
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position-Modified Cash Basis.....	14
Statement of Activities-Modified Cash Basis.....	15-16
<b>Fund Financial Statements:</b>	
Statement of Modified Cash Basis Assets and Fund Balances-Governmental Funds.....	17
Statement of Cash Receipts, Cash Disbursements, and Changes in Modified Cash Basis Fund Balances-Governmental Funds.....	18
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - General Fund.....	19
Statement of Fund Net Position (Modified Cash Basis)-Proprietary Fund.....	20
Statement of Revenues, Expenditures and Changes in Fund Net Position- (Modified Cash Basis) - Proprietary Fund.....	21
Statement of Cash Flows (Modified Cash Basis)- Proprietary Fund.....	22
Statement of Modified Cash Basis Fiduciary Net Position-Fiduciary Funds.....	23
Statement of Change in Modified Cash Basis Fiduciary Net Position- Fiduciary Fund.....	24
Notes to the Basic Financial Statements.....	25-51
Schedule of Federal Awards Receipts and Expenditures.....	52
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	53
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	54-55
Independent Auditors' Report on Compliance With Requirements Applicable to its Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i> .....	56-57
Schedule of Findings .....	58
Schedule of Prior Audit Findings.....	59

**This page intentionally left blank.**

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

## **INDEPENDENT AUDITORS' REPORT**

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Swanton Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**This page intentionally left blank.**

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Swanton Local School District, Fulton County, Ohio, as of June 30, 2014, and the changes in modified cash financial position and cash flows, where applicable and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities, and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures also presents additional analysis 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 Schedule also presents additional analysis and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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 & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



*Charles E. Harris & Associates, Inc.*  
December 20, 2014

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The management's discussion and analysis of the Swanton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2014, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the modified cash basis basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- The total net cash position of the District increased \$166,839 or 1.71% from fiscal year 2013. The net cash position for governmental activities increased \$164,623 or 1.69% and the net cash position for business-type activities increased \$2,216 or 13.03%.
- General cash receipts accounted for \$12,509,832 or 82.79% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,601,076 or 17.21% of total governmental activities cash receipts.
- The District had \$14,946,285 in cash disbursements related to governmental activities; \$2,601,076 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) and entitlements not restricted of \$12,509,832 were adequate to provide for these programs.
- The District's major funds are the general fund and bond retirement fund. The general fund had cash receipts and other financing sources of \$12,296,688 in 2014. The cash disbursements and other financing uses of the general fund, totaled \$12,260,789 in 2014. The general fund's cash balance increased \$35,899 from 2013 to 2014.
- The bond retirement fund had cash receipts of \$1,282,014 in 2014. The cash disbursements of the bond retirement fund, totaled \$1,182,898 in 2014. The bond retirement fund's cash balance increased \$99,116 from 2013 to 2014.
- Net cash position for the business-type activities increased by \$2,216 in 2014. This increase in net cash position was primarily due to a reduction in disbursements and an increase in cash receipts from customers.

**Using this Modified Cash Basis Basic Financial Statements (BFS)**

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

The statement of net position - modified cash basis and statement of activities - modified cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's modified cash basis finances. Fund financial statements provide the next 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are the most significant funds, and the only governmental funds reported as major funds.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

The statement of net position - modified cash basis and the statement of activities - modified cash basis answer the question, "How did we do financially during 2014?" These statements include *only net cash position* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a modified cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the modified cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and 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 these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

In the statement of net position - modified cash basis and the statement of activities - modified cash basis, the District is divided into two distinct kinds of activities:

Governmental activities - Most of the 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 receipts and from intergovernmental receipts, including federal and state grants and other shared receipts.

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

The statement of net position - modified cash basis and the statement of activities - modified cash basis can be found on pages 13-15 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund. The analysis of the District's major governmental funds begins on page 10.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be readily spent to finance various District programs. The governmental fund statements can be found on pages 16-18 of this report.

***Proprietary Funds***

The District's only proprietary fund is an enterprise fund. The enterprise fund is used to report the same function that is presented as a business-type activity on the government wide financial statements. The District uses an enterprise fund to account for the community recreation program. The proprietary fund statements can be found on pages 19 - 21.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private purpose trust fund and an agency fund. The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-50 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net position - modified cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash position for at June 30, 2014 and June 30, 2013.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Net Cash Position**

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Assets</u>						
Equity in pooled cash and investments	\$ 7,788,496	\$ 7,453,026	\$ 19,231	\$ 17,015	\$ 7,807,727	\$ 7,470,041
Cash and cash equivalents with fiscal agent	<u>2,138,741</u>	<u>2,309,588</u>	<u>-</u>	<u>-</u>	<u>2,138,741</u>	<u>2,309,588</u>
Total assets	<u>9,927,237</u>	<u>9,762,614</u>	<u>19,231</u>	<u>17,015</u>	<u>9,946,468</u>	<u>9,779,629</u>
<u>Net Cash Position</u>						
Restricted	2,319,754	2,191,030	-	-	2,319,754	2,191,030
Unrestricted	<u>7,607,483</u>	<u>7,571,584</u>	<u>19,231</u>	<u>17,015</u>	<u>7,626,714</u>	<u>7,588,599</u>
Total net cash position	<u>\$ 9,927,237</u>	<u>\$ 9,762,614</u>	<u>\$ 19,231</u>	<u>\$ 17,015</u>	<u>\$ 9,946,468</u>	<u>\$ 9,779,629</u>

The total net cash position of the District increased \$166,839, which represents a 1.71% increase from fiscal year 2013. The increase is due primarily to the increase in unrestricted grants and entitlement receipts during fiscal year 2014.

The balance of government-wide unrestricted net cash position of \$7,626,714 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2014 and 2013.

**Change in Net Cash Position**

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Cash Receipts:</b>						
Program cash receipts:						
Charges for services and sales	\$ 1,047,963	\$ 954,105	\$ 67,532	\$ 62,761	\$ 1,115,495	\$ 1,016,866
Operating grants and contributions	<u>1,553,113</u>	<u>1,241,052</u>	<u>-</u>	<u>-</u>	<u>1,553,113</u>	<u>1,241,052</u>
Total program cash receipts	<u>2,601,076</u>	<u>2,195,157</u>	<u>67,532</u>	<u>62,761</u>	<u>2,668,608</u>	<u>2,257,918</u>
General cash receipts:						
Property taxes	5,680,682	5,745,637	-	-	5,680,682	5,745,637
Income taxes	1,585,807	1,540,122	-	-	1,585,807	1,540,122
Unrestricted grants	5,126,188	4,819,194	-	-	5,126,188	4,819,194
Sale of bonds	-	1,320,000	-	-	-	1,320,000
Investment earnings	30,574	39,406	-	-	30,574	39,406
Other	<u>86,581</u>	<u>348,304</u>	<u>3,097</u>	<u>2,924</u>	<u>89,678</u>	<u>351,228</u>
Total general cash receipts	<u>12,509,832</u>	<u>13,812,663</u>	<u>3,097</u>	<u>2,924</u>	<u>12,512,929</u>	<u>13,815,587</u>
Total cash receipts	<u>15,110,908</u>	<u>16,007,820</u>	<u>70,629</u>	<u>65,685</u>	<u>15,181,537</u>	<u>16,073,505</u>

- Continued

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Change in Net Cash Position (Continued)**

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Cash Disbursements:</b>						
Instruction:						
Regular	\$ 5,237,207	\$ 5,701,699	\$ -	\$ -	\$ 5,237,207	\$ 5,701,699
Special	2,166,648	1,986,834	-	-	2,166,648	1,986,834
Vocational	146	240	-	-	146	240
Other	96,049	-	-	-	96,049	-
Support services:						
Pupil	660,843	741,324	-	-	660,843	741,324
Instructional staff	662,600	624,812	-	-	662,600	624,812
Board of education	87,620	54,957	-	-	87,620	54,957
Administration	1,131,956	1,316,962	-	-	1,131,956	1,316,962
Fiscal	436,242	467,282	-	-	436,242	467,282
Business	4,378	6,854	-	-	4,378	6,854
Operations and maintenance	1,220,666	1,334,923	-	-	1,220,666	1,334,923
Pupil transportation	774,244	791,425	-	-	774,244	791,425
Central	163,631	91,260	-	-	163,631	91,260
Operation of non instructional services:						
Food service operations	423,949	506,297	-	-	423,949	506,297
Other non-instructional services	68,663	57,573	-	-	68,663	57,573
Extracurricular	513,516	474,508	-	-	513,516	474,508
Facilities acquisition and construction	139,790	123,727	-	-	139,790	123,727
Debt service:						
Principal retirement	310,562	1,671,446	-	-	310,562	1,671,446
Interest and fiscal charges	847,575	900,055	-	-	847,575	900,055
Recreation	-	-	68,413	71,634	68,413	71,634
Total cash disbursements	<u>14,946,285</u>	<u>16,852,178</u>	<u>68,413</u>	<u>71,634</u>	<u>15,014,698</u>	<u>16,923,812</u>
Change in net cash position	164,623	(844,358)	2,216	(5,949)	166,839	(850,307)
Net cash position at beginning of year	<u>9,762,614</u>	<u>10,606,972</u>	<u>17,015</u>	<u>22,964</u>	<u>9,779,629</u>	<u>10,629,936</u>
Net cash position at end of year	<u>\$ 9,927,237</u>	<u>\$ 9,762,614</u>	<u>\$ 19,231</u>	<u>\$ 17,015</u>	<u>\$ 9,946,468</u>	<u>\$ 9,779,629</u>

**Governmental Activities**

Governmental net cash position increased by \$164,623 in fiscal year 2014 from fiscal year 2013. The increase is due to the increase in unrestricted grants and contributions and a decrease in cash disbursements. Total governmental cash disbursements of \$14,946,285 were offset by program cash receipts of \$2,601,076 and general cash receipts of \$12,509,832. Program receipts supported 17.40% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipt sources represent 61.39% of total governmental cash receipts. Real estate property is reappraised every six years.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The statement of activities - modified cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Cash disbursements:				
Instruction:				
Regular	\$ 5,237,207	\$ 4,775,764	\$ 5,701,699	\$ 5,247,017
Special	2,166,648	880,519	1,986,834	953,587
Vocational	146	(2,706)	240	(4,171)
Other	96,049	96,049	-	-
Support services:				
Pupil	660,843	660,843	741,324	741,324
Instructional staff	662,600	510,446	624,812	624,812
Board of education	87,620	87,620	54,957	54,957
Administration	1,131,956	1,131,956	1,316,962	1,316,962
Fiscal	436,242	436,242	467,282	467,282
Business	4,378	4,378	6,854	6,854
Operations and maintenance	1,220,666	1,219,166	1,334,923	1,334,923
Pupil transportation	774,244	730,919	791,425	754,393
Central	163,631	156,431	91,260	84,060
Operation of non-instructional services:				
Food service operations	423,949	6,377	506,297	31,819
Other non-instructional services	68,663	(5,678)	57,573	17,827
Extracurricular	513,516	358,956	474,508	330,147
Facilities acquisition and construction	139,790	139,790	123,727	123,727
Debt service:				
Principal retirement	310,562	310,562	1,671,446	1,671,446
Interest and fiscal charges	847,575	847,575	900,055	900,055
<b>Total</b>	<b><u>\$ 14,946,285</u></b>	<b><u>\$ 12,345,209</u></b>	<b><u>\$ 16,852,178</u></b>	<b><u>\$ 14,657,021</u></b>

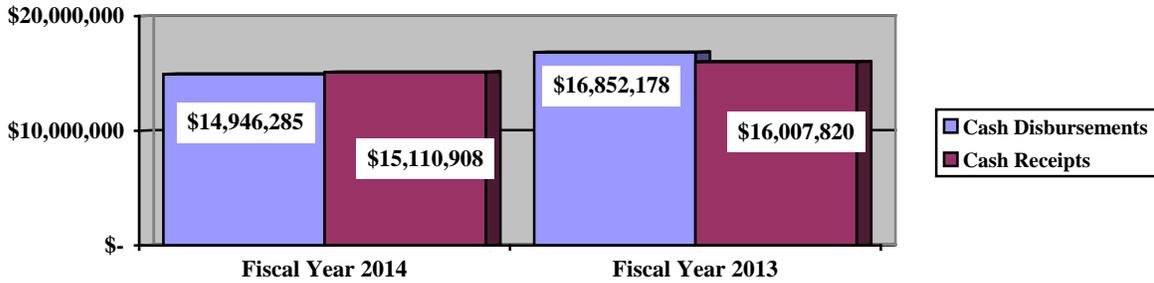
The dependence upon general cash receipts for governmental activities is apparent; with 82.60% of cash disbursements supported through taxes and other general cash receipts during 2014.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2014 and 2013.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

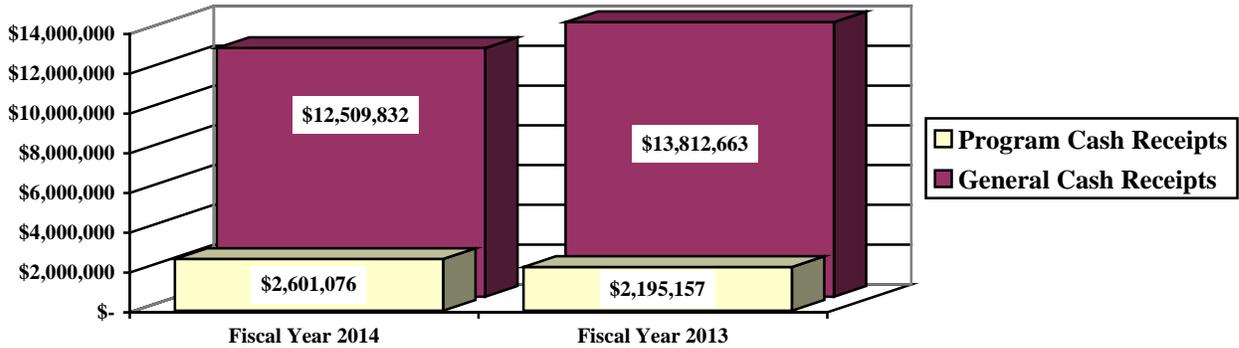
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



The graph below presents the District's governmental activities cash receipts for fiscal years 2014 and 2013.

**Governmental Activities - General and Program Cash Receipts**



**Business-type activities**

Business-type activities include community recreation operations. This program had receipts of \$70,629 and disbursements of \$68,413 for fiscal year 2014. The increase in net cash position is due to increasing receipts compared to the prior fiscal year. The District's business-type activities receive no support from tax revenues.

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the modified cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$9,927,237, which is \$164,623 greater than last year's total of \$9,762,614. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2014 and June 30, 2013, for all major and nonmajor governmental funds.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

	<u>Fund Cash Balance</u> <u>June 30, 2014</u>	<u>Fund Cash Balance</u> <u>June 30, 2013</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 7,616,003	\$ 7,580,104	\$ 35,899
Bond retirement	1,988,819	1,889,703	99,116
Other nonmajor governmental funds	<u>322,415</u>	<u>292,807</u>	<u>29,608</u>
Total	<u>\$ 9,927,237</u>	<u>\$ 9,762,614</u>	<u>\$ 164,623</u>

**General Fund**

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$12,296,688 in 2014. The cash disbursements and other financing uses of the general fund, totaled \$12,260,789 in 2014. The general fund's fund cash balance increased \$35,899 from 2013 to 2014. Total general fund cash receipts increased 4.00 percent over fiscal year 2013. The largest increase in cash receipts was in intergovernmental receipts. The largest decrease in disbursements was in support services.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 6,058,410	\$ 5,984,717	1.23 %
Tuition	579,033	566,145	2.28 %
Earnings on investments	28,344	39,406	(28.07) %
Intergovernmental	5,399,948	4,911,319	9.95 %
Other	<u>210,130</u>	<u>302,035</u>	(30.43) %
Total	<u>\$ 12,275,865</u>	<u>\$ 11,803,622</u>	4.00 %

The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements:</u></b>			
Instruction	\$ 6,913,922	\$ 7,138,740	(3.15) %
Support services	4,964,665	5,387,282	(7.84) %
Operation of non instruction	19,463	14,637	32.97 %
Extracurricular	<u>328,239</u>	<u>320,198</u>	2.51 %
Total	<u>\$ 12,226,289</u>	<u>\$ 12,860,857</u>	(4.93) %

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

***Bond Retirement Fund***

The bond retirement fund had cash receipts of \$1,282,014 in 2014. The cash disbursements of the bond retirement fund, totaled \$1,182,898 in 2014. The fund cash balance of the bond retirement fund increased \$99,116 over fiscal year 2013.

***Budgeting Highlights - General Fund***

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

For the general fund, original budgeted receipts and other financing sources were \$11,667,498, which were unchanged in the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2014 were \$12,258,610. This represents a \$591,112 increase from final budgeted receipts.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$13,672,568 were unchanged in the final appropriations. The actual budget basis disbursements for fiscal year 2014 totaled \$12,165,668, which was \$1,506,900 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying modified cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2014 and 2013.

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds	\$ 9,878,949	\$ 10,581,512
Total long-term obligations	<u>\$ 9,878,949</u>	<u>\$ 10,581,512</u>

See Note 9 to the basic financial statements for more detail on the District's long-term obligations.

**Current Financial Related Activities**

The District asked voters to approve a renewal of the 0.75% school district income tax in May 2014. With an active campaign committee in place, the renewal levy was approved by the voters for another five (5) year term. The income tax generates approximately \$1,500,000 annually for the District's general fund. The District is starting to see the month to month collections stabilizing similar to what our neighboring school districts are experiencing. There is no reason to anticipate a significant increase in collections until the economy sees improvement. This positive vote of the community will keep the District moving in a positive direction for the next several years.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The District was successful in asking voters to renew the \$825,000 emergency levy on the August 2012 ballot. This was accomplished due to the hard work of an outstanding community driven levy committee. In May 2012 (prior to passing this levy), the District announced a \$935,000 reduction in the annual budget starting with fiscal year 2013. This savings was accomplished by not replacing several retiring/resigning staff, reducing 2.5 full-time equivalent certified teachers, not filling several supplemental positions, and working on reducing overtime and substitutes for custodial staffing.

For fiscal year 2014, another \$575,000 in cost savings was reviewed with the Board of Education. These reductions include replacing the retiring and resigning staff with employees at the lower end of the salary schedule, changing the delivery of technology services to the District, hiring a high school special education teacher directly for a specialized classroom, plus additional changes in classified staffing. With the reductions implemented in fiscal year 2013 and fiscal year 2014, the May 2014 five year forecast shows great improvement for the District's financial situation into future years. The administration included discussions on whether these significant decreases in operating expenses could be done without negatively impacting the Excellent with Distinction rating awarded by the Ohio Department of Education for the 2011/2012 school year.

In summer of 2012, the District settled two of its union contracts that will keep salaries constant for the next two fiscal years. The Swanton Education Association (SEA) worked with the administration and Board of Education to keep the base salary pay constant for the three years of the contract while increasing the employee share paid towards health insurance. This contract was effective April 4, 2012, and will run through August 31, 2014. The other contract keeping base salary constant with employees sharing a percentage towards their health care premiums was with the SSSA, representing the secretarial staff. This contract was effective September 1, 2012, and will go for two years. The SSSA negotiations went smoothly with each side showing dignity and respect towards each other.

In spring of 2013, the District settled a three year contract with the OAPSE #660 that represents the bus drivers. This contract calls for a pay freeze for the entire length of the contract and includes increases in the employee share of health care costs. This contract will expire on June 30, 2016.

The District provides health insurance benefits to employees through a self-insured health plan through Jefferson Health Plan. The Jefferson Health Plan consortium tracks claims and contributions for the District and then allows any excesses to cover any deficits in the annual expenses. There has been a significant balance in the Jefferson Health Plan consortium which allowed the District to justify reducing the monthly premiums by 38 percent for fiscal year 2013. This reduction in the monthly contribution helps employees who are now paying a percentage of the monthly premiums. This lower monthly premium should eliminate the need to take three to five monthly premium moratoriums which is confusing to employees. The lower monthly premiums also gives the employees a truer picture of the cost of health insurance provided to them as a benefit.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Joyce Kinsman, Treasurer, Swanton Local School District, 108 North Main Street, Swanton, Ohio 43558-1032.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 7,788,496	\$ 19,231	\$ 7,807,727
Cash and cash equivalents with fiscal agent . . .	2,138,741	-	2,138,741
Total assets. . . . .	<u>9,927,237</u>	<u>19,231</u>	<u>9,946,468</u>
<b>Net cash position:</b>			
Restricted for:			
Capital projects . . . . .	238,798	-	238,798
Debt service. . . . .	1,988,819	-	1,988,819
State funded programs. . . . .	24,083	-	24,083
Federally funded programs . . . . .	3,368	-	3,368
Student activities . . . . .	22,176	-	22,176
Other purposes . . . . .	42,510	-	42,510
Unrestricted . . . . .	<u>7,607,483</u>	<u>19,231</u>	<u>7,626,714</u>
Total net cash position . . . . .	<u>\$ 9,927,237</u>	<u>\$ 19,231</u>	<u>\$ 9,946,468</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Cash</u>	<u>Program Cash Receipts</u>	
	<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>
		<u>Services and Sales</u>	<u>and Contributions</u>
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 5,237,207	\$ 412,156	\$ 49,287
Special . . . . .	2,166,648	267,065	1,019,064
Vocational . . . . .	146	-	2,852
Other . . . . .	96,049	-	-
Support services:			
Pupil . . . . .	660,843	-	-
Instructional staff . . . . .	662,600	11,629	140,525
Board of education . . . . .	87,620	-	-
Administration . . . . .	1,131,956	-	-
Fiscal . . . . .	436,242	-	-
Business . . . . .	4,378	-	-
Operations and maintenance . . . . .	1,220,666	1,500	-
Pupil transportation . . . . .	774,244	-	43,325
Central . . . . .	163,631	-	7,200
Operation of non-instructional services:			
Food service operations . . . . .	423,949	196,982	220,590
Other non-instructional services . . . . .	68,663	18,989	55,352
Extracurricular activities . . . . .	513,516	139,642	14,918
Facilities acquisition and construction . . . . .	139,790	-	-
Debt service:			
Principal retirement . . . . .	310,562	-	-
Interest and fiscal charges . . . . .	847,575	-	-
Total governmental activities . . . . .	<u>14,946,285</u>	<u>1,047,963</u>	<u>1,553,113</u>
 <b>Business-type activities:</b>			
Recreation . . . . .	<u>68,413</u>	<u>67,532</u>	<u>-</u>
Totals . . . . .	<u>\$ 15,014,698</u>	<u>\$ 1,115,495</u>	<u>\$ 1,553,113</u>

<b>General cash receipts:</b>	
Property taxes levied for:	
General purposes . . . . .	-
Debt service . . . . .	-
Permanent improvements . . . . .	-
Income taxes levied for:	
General purposes . . . . .	-
Grants and entitlements not restricted	
to specific programs . . . . .	-
Investment earnings . . . . .	-
Miscellaneous . . . . .	-
Total general cash receipts . . . . .	-
Change in net cash position . . . . .	-
<b>Net cash position at beginning of year . . . . .</b>	-
<b>Net cash position at end of year . . . . .</b>	-

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Cash Disbursements) Cash Receipts  
and Changes in Net Cash Position**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (4,775,764)	\$ -	\$ (4,775,764)
(880,519)	-	(880,519)
2,706	-	2,706
(96,049)	-	(96,049)
(660,843)	-	(660,843)
(510,446)	-	(510,446)
(87,620)	-	(87,620)
(1,131,956)	-	(1,131,956)
(436,242)	-	(436,242)
(4,378)	-	(4,378)
(1,219,166)	-	(1,219,166)
(730,919)	-	(730,919)
(156,431)	-	(156,431)
(6,377)	-	(6,377)
5,678	-	5,678
(358,956)	-	(358,956)
(139,790)	-	(139,790)
(310,562)	-	(310,562)
(847,575)	-	(847,575)
<u>(12,345,209)</u>	<u>-</u>	<u>(12,345,209)</u>
-	(881)	(881)
<u>(12,345,209)</u>	<u>(881)</u>	<u>(12,346,090)</u>
4,472,603	-	4,472,603
1,054,867	-	1,054,867
153,212	-	153,212
1,585,807	-	1,585,807
5,126,188	-	5,126,188
30,574	-	30,574
86,581	3,097	89,678
<u>12,509,832</u>	<u>3,097</u>	<u>12,512,929</u>
164,623	2,216	166,839
<u>9,762,614</u>	<u>17,015</u>	<u>9,779,629</u>
<u>\$ 9,927,237</u>	<u>\$ 19,231</u>	<u>\$ 9,946,468</u>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 6,508,616	\$ 948,945	\$ 322,415	\$ 7,779,976
Cash and cash equivalents with fiscal agent. . . . .	1,098,867	1,039,874	-	2,138,741
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	8,520	-	-	8,520
Total assets . . . . .	<u>\$ 7,616,003</u>	<u>\$ 1,988,819</u>	<u>\$ 322,415</u>	<u>\$ 9,927,237</u>
<b>Fund cash balances:</b>				
Restricted:				
Debt service . . . . .	\$ -	\$ 1,988,819	\$ -	\$ 1,988,819
Capital improvements . . . . .	-	-	238,798	238,798
Food service operations . . . . .	-	-	29,497	29,497
Non-public schools . . . . .	-	-	21,941	21,941
Targeted academic assistance . . . . .	-	-	2,099	2,099
Extracurricular activities. . . . .	-	-	22,176	22,176
School bus purchases. . . . .	8,520	-	-	8,520
Other purposes. . . . .	-	-	7,904	7,904
Assigned:				
Student instruction . . . . .	13,775	-	-	13,775
Student and staff support. . . . .	170,695	-	-	170,695
Extracurricular activities . . . . .	1,666	-	-	1,666
Subsequent year's appropriations . . . . .	1,163,467	-	-	1,163,467
Other purposes. . . . .	16,215	-	-	16,215
Unassigned . . . . .	<u>6,241,665</u>	<u>-</u>	<u>-</u>	<u>6,241,665</u>
Total fund cash balances . . . . .	<u>\$ 7,616,003</u>	<u>\$ 1,988,819</u>	<u>\$ 322,415</u>	<u>\$ 9,927,237</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH  
BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,472,603	\$ 1,054,867	\$ 153,212	\$ 5,680,682
Income taxes. . . . .	1,585,807	-	-	1,585,807
Tuition. . . . .	579,033	-	-	579,033
Earnings on investments . . . . .	28,344	2,230	-	30,574
Charges for services . . . . .	-	-	184,651	184,651
Extracurricular. . . . .	47,717	-	139,642	187,359
Classroom materials and fees . . . . .	63,259	-	-	63,259
Other local revenues . . . . .	99,154	5,538	27,249	131,941
Intergovernmental - state . . . . .	5,314,291	219,379	229,406	5,763,076
Intergovernmental - federal . . . . .	85,657	-	804,262	889,919
Total cash receipts. . . . .	<u>12,275,865</u>	<u>1,282,014</u>	<u>1,538,422</u>	<u>15,096,301</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular. . . . .	5,187,230	-	49,977	5,237,207
Special . . . . .	1,630,497	-	536,151	2,166,648
Vocational . . . . .	146	-	-	146
Other . . . . .	96,049	-	-	96,049
Support services:				
Pupil . . . . .	660,843	-	-	660,843
Instructional staff . . . . .	524,217	-	138,383	662,600
Board of education . . . . .	87,620	-	-	87,620
Administration . . . . .	1,128,376	-	3,580	1,131,956
Fiscal . . . . .	407,890	24,761	3,591	436,242
Business. . . . .	4,378	-	-	4,378
Operations and maintenance . . . . .	1,220,666	-	-	1,220,666
Pupil transportation . . . . .	774,244	-	-	774,244
Central . . . . .	156,431	-	7,200	163,631
Operation of non-instructional services:				
Food service operations. . . . .	-	-	423,949	423,949
Other operation of non-instructional. . . . .	19,463	-	49,200	68,663
Extracurricular activities . . . . .	328,239	-	185,277	513,516
Facilities acquisition and construction. . . . .	-	-	139,790	139,790
Debt service:				
Principal retirement. . . . .	-	310,562	-	310,562
Interest and fiscal charges . . . . .	-	847,575	-	847,575
Total cash disbursements . . . . .	<u>12,226,289</u>	<u>1,182,898</u>	<u>1,537,098</u>	<u>14,946,285</u>
Excess of cash receipts over cash disbursements. . . . .	<u>49,576</u>	<u>99,116</u>	<u>1,324</u>	<u>150,016</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	2,000	-	-	2,000
Transfers in. . . . .	-	-	34,500	34,500
Transfers (out) . . . . .	(34,500)	-	-	(34,500)
Advances in . . . . .	6,216	-	-	6,216
Advances (out) . . . . .	-	-	(6,216)	(6,216)
Insurance recoveries. . . . .	12,607	-	-	12,607
Total other financing sources (uses) . . . . .	<u>(13,677)</u>	<u>-</u>	<u>28,284</u>	<u>14,607</u>
Net change in fund cash balances . . . . .	35,899	99,116	29,608	164,623
<b>Fund cash balances at beginning of year. . . . .</b>	<u>7,580,104</u>	<u>1,889,703</u>	<u>292,807</u>	<u>9,762,614</u>
<b>Fund cash balances at end of year. . . . .</b>	<u>\$ 7,616,003</u>	<u>\$ 1,988,819</u>	<u>\$ 322,415</u>	<u>\$ 9,927,237</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,477,748	\$ 4,477,748	\$ 4,472,603	\$ (5,145)
Income taxes. . . . .	1,540,000	1,540,000	1,585,807	45,807
Tuition. . . . .	550,000	550,000	579,033	29,033
Earnings on investments . . . . .	26,000	26,000	44,550	18,550
Classroom materials and fees . . . . .	49,000	49,000	46,210	(2,790)
Other local revenues . . . . .	62,750	62,750	55,818	(6,932)
Intergovernmental - state . . . . .	4,891,500	4,891,500	5,314,291	422,791
Intergovernmental - federal . . . . .	20,000	20,000	85,657	65,657
Total budgetary basis receipts . . . . .	<u>11,616,998</u>	<u>11,616,998</u>	<u>12,183,969</u>	<u>566,971</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	6,074,210	6,074,210	5,084,642	989,568
Special. . . . .	1,595,730	1,595,730	1,622,006	(26,276)
Vocational. . . . .	-	-	146	(146)
Other. . . . .	30,850	30,850	94,896	(64,046)
Support services:				
Pupil. . . . .	723,490	723,490	656,244	67,246
Instructional staff . . . . .	467,805	467,805	521,632	(53,827)
Board of education . . . . .	199,978	199,978	87,729	112,249
Administration. . . . .	1,289,061	1,289,061	1,115,238	173,823
Fiscal . . . . .	544,899	544,899	405,765	139,134
Business . . . . .	11,000	11,000	4,378	6,622
Operations and maintenance. . . . .	1,438,059	1,438,059	1,284,484	153,575
Pupil transportation . . . . .	820,177	820,177	764,399	55,778
Central. . . . .	136,612	136,612	155,789	(19,177)
Operation of non-instructional services . . . . .	697	697	4,678	(3,981)
Extracurricular activities. . . . .	295,000	295,000	329,142	(34,142)
Total budgetary basis disbursements . . . . .	<u>13,627,568</u>	<u>13,627,568</u>	<u>12,131,168</u>	<u>1,496,400</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>(2,010,570)</u>	<u>(2,010,570)</u>	<u>52,801</u>	<u>2,063,371</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	50,000	50,000	53,818	3,818
Transfers (out). . . . .	(45,000)	(45,000)	(34,500)	10,500
Advances in. . . . .	500	500	6,216	5,716
Insurance recoveries. . . . .	-	-	12,607	12,607
Sale of capital assets . . . . .	-	-	2,000	2,000
Total other financing sources (uses) . . . . .	<u>5,500</u>	<u>5,500</u>	<u>40,141</u>	<u>34,641</u>
Net change in budgetary fund balance . . . . .	(2,005,070)	(2,005,070)	92,942	2,098,012
<b>Fund balance at beginning of year (restated) . . . . .</b>	<b>6,158,755</b>	<b>6,158,755</b>	<b>6,158,755</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>61,949</b>	<b>61,949</b>	<b>61,949</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><b>\$ 4,215,634</b></u>	<u><b>\$ 4,215,634</b></u>	<u><b>\$ 6,313,646</b></u>	<u><b>\$ 2,098,012</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2014

	<u>Recreation</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	<u>\$ 19,231</u>
<b>Net cash position:</b>	
Unrestricted. . . . .	<u>\$ 19,231</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF OPERATING RECEIPTS, DISBURSEMENTS AND  
CHANGES IN NET CASH POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Recreation</b>
<b>Operating receipts:</b>	
Charges for services . . . . .	\$ 67,532
Other . . . . .	3,097
Total operating receipts . . . . .	70,629
 <b>Operating disbursements:</b>	
Personal services . . . . .	15,936
Fringe benefits . . . . .	5,241
Purchased services . . . . .	1,777
Materials and supplies . . . . .	45,459
Total operating disbursements . . . . .	68,413
 Change in net cash position . . . . .	 2,216
 <b>Net cash position at beginning of year . . .</b>	 17,015
 <b>Net cash position at end of year . . . . .</b>	 \$ 19,231

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Recreation</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers. . . . .	\$ 67,532
Cash received from other operations . . . . .	3,097
Cash payments for salaries. . . . .	(15,936)
Cash payments for fringe benefits. . . . .	(5,241)
Cash payments for purchased services . . . . .	(1,777)
Cash payments for materials and supplies . . . . .	(45,459)
Net cash provided by operating activities. . . . .	2,216
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>17,015</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 19,231</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET CASH POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 51,545	\$ 13,206
<b>Net cash position:</b>		
Held in trust for scholarships . . . . .	\$ 51,545	\$ -
Held for student activities. . . . .	-	13,206
Total net cash position. . . . .	<u>\$ 51,545</u>	<u>\$ 13,206</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET CASH POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 143
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,000
Change in net cash position . . . . .	(1,857)
<b>Net cash position at beginning of year . . .</b>	<b>53,402</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 51,545</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Swanton Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of 5 members elected at-large for staggered 4 year terms. The District provides educational services as authorized by state and federal guidelines.

The District was established in 1887 and serves an area of approximately 42 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. It is staffed by 41 classified employees, 79 certified teaching personnel, and 9 administrative employees who provide services to 1,370 students and other community members. The District currently operates 4 instructional buildings and an administration building.

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

As discussed in Note 2.B., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these modified cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. 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. Total disbursements made by the District to NWOCA during this fiscal year were \$95,257. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts 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 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 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. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Penta Career Center

The Penta Career Center (the "Center") is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. The District did not make any payments to the Center during fiscal year 2014. Financial information can be obtained from the Penta County Career Center, Carrie Herringshaw, who serves as Treasurer, at 9301 Buck Road, Perrysburg, Ohio 43551.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 25 county area in Northwest Ohio. The Board of Directors consists of superintendents from 2 educational service centers, 2 exempted village school districts, 5 local school districts, and 5 city school districts, as well as representatives from 2 private or parochial schools and 3 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., 441 East Market Street, Celina, Ohio 45822.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among 192 school districts, educational service centers joint vocational districts, and developmental disabilities boards 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 9 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.

*PUBLIC ENTITY RISK POOLS*

Ohio School Plan

The 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 15 member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hyland Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett 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-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The 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, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Jefferson Health Plan

The District participates in the Jefferson Health Plan (Plan), a risk-sharing claims servicing, and insurance purchasing pool comprised of 75 members, including 2 insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a 9 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 Plan's 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.

*RELATED ORGANIZATION*

Swanton Public Library

The Swanton Public Library (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 District for operational subsidies. Although the 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 the 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.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

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

Bond retirement fund - The bond retirement fund is used to account for property taxes and related receipts restricted for the payment of principal and interest on general obligation bonds.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUNDS*

Proprietary fund reporting focuses on the determination of operating income, change in net cash position, financial position, and cash flows. Proprietary funds are classified as either enterprise funds or internal service funds. The District has no internal service funds.

Enterprise fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise fund accounts for a community recreation program.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net cash position and changes in net cash position. 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. The agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities.

**D. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net position - modified cash basis and the statement of activities - modified cash basis display information about the 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 District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges).

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general cash receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified cash basis or draws from the general cash receipts of the District.

*Fund Financial Statements* - During the fiscal year, the District segregates transactions related to certain 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 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, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**E. Budgets**

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 District Treasurer.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 statement 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 statement reflect the amounts on the final amended certificate of estimated resources requested by the 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.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

Cash and cash equivalents that were held separately with the District's third-party administrator and by a trustee are recorded as "cash and cash equivalents with fiscal agent".

During fiscal year 2014, investments were limited to federal agency securities, negotiable and nonnegotiable certificates of deposit, and a U.S. Government money market fund. Investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$28,344, which includes \$5,110 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the modified cash basis of accounting. Depreciation has not been reported for any capital assets.

**I. Unpaid Vacation and Sick Leave**

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 modified cash basis of accounting.

**J. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

**L. Fund Cash Balance**

The District reports classifications of fund balance based on the purpose for which resources were received and the level of constraint placed on the resources. The following categories are used:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**M. Net Cash Position**

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net cash position restricted for other purposes consists primarily of funds restricted for food service.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

**N. Parochial School**

Within the District boundaries, St. Richard Catholic School is operated by 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 District, as directed by the parochial school. The receipt and disbursement of these State monies by the District are reflected as special revenue funds for financial reporting purposes.

**O. Interfund Activity**

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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds are eliminated on the statement of net position - modified cash basis and the statement of activities - modified cash basis.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Restricted Assets**

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

**Q. Operating Receipts and Disbursements**

Operating receipts are those receipts that are generated directly from the primary activity of the enterprise fund. For the District, these receipts are charges for services for the recreation program. Operating disbursements are 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 67, "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25", and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 improves the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Compliance**

Ohio Administrative Code, Section 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, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2013 is as follows:

<b>Budgetary Basis</b>	<u>General Fund</u>
Balance at June 30, 2013	\$ 6,268,527
Funds budgeted elsewhere	<u>(109,772)</u>
Restated balance at July 1, 2013	<u>\$ 6,158,755</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 that 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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;

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$5,000 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$2,417,071. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,302,614 of the District's bank balance of \$2,362,614 was exposed to custodial risk as discussed below, while \$1,060,000 was covered by the FDIC.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2014, the District had the following investments and maturities:

Investment type	Fair value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CDs	\$ 2,257,197	\$ 500,642	\$ 250,922	\$ 250,438	\$ 253,012	\$ 1,002,183
FNMA	1,326,606	-	-	-	150,256	1,176,350
FHLMC	990,495	220,227	-	300,581	-	469,687
FFCB	400,246	-	-	200,226	-	200,020
FHLB	394,391	-	-	-	219,386	175,005
U.S. Government money market fund	81,472	81,472	-	-	-	-
<b>Total</b>	<b>\$ 5,450,407</b>	<b>\$ 802,341</b>	<b>\$ 250,922</b>	<b>\$ 751,245</b>	<b>\$ 622,654</b>	<b>\$ 3,023,245</b>

The weighted average maturity of investments is 2.06 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The U.S. Government money market fund carries a rating of AAAm by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in negotiable certificates of deposit were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
Negotiable CDs	\$ 2,257,197	41.41
FNMA	1,326,606	24.34
FHLMC	990,495	18.17
FFCB	400,246	7.34
FHLB	394,391	7.24
U.S. Government money market fund	<u>81,472</u>	<u>1.50</u>
Total	<u>\$ 5,450,407</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position - Modified Cash Basis**

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position - modified cash basis as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,417,071
Cash with fiscal agent	2,138,741
Investments	5,450,407
Cash on hand	<u>5,000</u>
Total	<u>\$ 10,011,219</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 9,927,237
Business-type activities	19,231
Private-purpose trust fund	51,545
Agency funds	<u>13,206</u>
Total	<u>\$ 10,011,219</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

During fiscal year 2014, advances consisted of \$6,216 from the nonmajor governmental funds to the general fund. This represents a repayment of an outstanding advance as of June 30, 2013.

During fiscal year 2014, the general fund transferred \$34,500 to the nonmajor governmental funds to subsidize operations.

Interfund advances and transfers between governmental funds are eliminated on the government-wide financial statements; therefore no advances and transfers are reported in the statement of activities - modified cash basis.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

The District receives property taxes from Fulton and Lucas Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 172,997,220	96.59	\$ 172,649,880	96.32
Public utility personal	<u>6,105,450</u>	<u>3.41</u>	<u>6,611,660</u>	<u>3.68</u>
Total	<u>\$ 179,102,670</u>	<u>100.00</u>	<u>\$ 179,261,540</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 64.13		\$ 63.19	

**NOTE 7 - INCOME TAXES**

The District levies a voted tax of 0.75% for general operations on the income of residents and of estates. The tax was effective on January 1, 2010, for a 5 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 and annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Governmental activities:</b>				
<i>Nondepreciable capital assets:</i>				
Land	\$ 563,666	\$ -	\$ -	\$ 563,666
Total nondepreciable capital assets	<u>563,666</u>	<u>-</u>	<u>-</u>	<u>563,666</u>
<i>Depreciable capital assets:</i>				
Land improvements	952,432	41,900	-	994,332
Buildings and improvements	19,685,349	5,977	-	19,691,326
Furniture, fixtures and equipment	1,071,190	52,974	(5,381)	1,118,783
Vehicles	1,496,667	200,043	(475,848)	1,220,862
Total depreciable capital assets	<u>23,205,638</u>	<u>300,894</u>	<u>(481,229)</u>	<u>23,025,303</u>
Governmental activities capital assets	<u>\$ 23,769,304</u>	<u>\$ 300,894</u>	<u>\$ (481,229)</u>	<u>\$ 23,588,969</u>

THIS SECTION IS INTENTIONALLY LEFT BLANK

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2014</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
FY01 school improvement bonds					
Capital appreciation bonds	\$ 252,532	\$ -	\$ (252,532)	\$ -	\$ -
Accreted interest	377,282	20,186	(397,468)	-	-
FY05 school improvements bonds					
Current interest bonds	1,020,000	-	-	1,020,000	-
Capital appreciation bonds	61,012	-	(33,030)	27,982	27,982
Accreted interest	189,076	28,379	(111,970)	105,485	105,485
Premium	112,270	-	(9,042)	103,228	-
FY06 refunding bonds					
Current interest bonds	6,015,000	-	(25,000)	5,990,000	25,000
Capital appreciation bonds	374,997	-	-	374,997	-
Accreted interest	512,623	101,964	-	614,587	-
Premium	346,720	-	(24,050)	322,670	-
FY13 refunding bonds					
Current interest bonds	<u>1,320,000</u>	<u>-</u>	<u>-</u>	<u>1,320,000</u>	<u>645,000</u>
Total long-term obligations governmental activities	<u>\$ 10,581,512</u>	<u>\$ 150,529</u>	<u>\$ (853,092)</u>	<u>\$ 9,878,949</u>	<u>\$ 803,467</u>

The June 30, 2013 balance of the FY06 current interest bonds was restated to \$6,015,000 from \$6,015,003 to properly report the outstanding balance.

*FY01 school improvement bonds:* On June 1, 2001, the 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 26 year period, with final maturity during fiscal year 2026. The bonds will be retired through the bond retirement fund. During fiscal year 2006, a portion of the term bonds, in the amount of \$8,780,000 was advance refunded. During fiscal year 2013, the remainder of the term bonds, in the amount of \$1,335,000, were refunded.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds were completely retired during fiscal year 2014.

*FY05 school improvements bonds:* On December 1, 2004, the 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 21 year period, with final maturity during fiscal year 2026. The bonds will be retired through the bond retirement fund. During fiscal year 2013, the District set-aside resources with a trustee for the retirement of the term bonds when the call option on the bonds is exercised.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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 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% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

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

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in year 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% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

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

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 District. The mandatory redemption is to occur on December 1 in year of the years 2013 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% of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature in fiscal years 2013 through 2015. The maturity amount of the bonds is \$435,000. For fiscal year 2014, \$28,379 was accreted and \$145,000 was retired for a total bond value of \$133,467 at fiscal year-end.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

FY06 school improvement refunding bonds: On March 28, 2006, the 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 \$8,405,000 and \$374,997, respectively. The bonds were issued for a 19 year period, with final maturity during fiscal year 2026. The bonds will be retired through the bond retirement fund.

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$1,410,000. For fiscal year 2014, \$101,964 was accreted for a total bond value of \$989,584 at fiscal year-end.

At June 30, 2014, \$8,780,000 of the refunded 2001 school improvement bonds was still outstanding.

FY13 school improvement refunding bonds: On May 6, 2013, the District issued bonds, in the amount of \$1,320,000 to currently refund bonds previously issued in fiscal year 2001 for buildings and other improvements. The refunding bond issue consisted of serial bonds. The bonds were issued for a 3 year period, with final maturity during fiscal year 2016. The bonds will be retired through the bond retirement fund.

The refunded bonds were retired March 16, 2013.

The following is a schedule of future debt service requirements for the general obligation bonds:

Fiscal Year Ended	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 670,000	\$ 324,237	\$ 994,237	\$ 27,982	\$ 117,018	\$ 145,000
2016	795,000	294,937	1,089,937	-	-	-
2017	90,000	277,238	367,238	198,613	506,387	705,000
2018	95,000	273,537	368,537	176,384	528,616	705,000
2019	800,000	255,638	1,055,638	-	-	-
2020 - 2024	4,425,000	767,757	5,192,757	-	-	-
2025 - 2028	1,455,000	49,125	1,504,125	-	-	-
Total	<u>\$ 8,330,000</u>	<u>\$ 2,242,469</u>	<u>\$ 10,572,469</u>	<u>\$ 402,979</u>	<u>\$ 1,152,021</u>	<u>\$ 1,555,000</u>

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$9,389,379 and an unvoted debt margin of \$179,262.

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the 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
Building and contents	57,881,908

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 2014, the 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 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 premium, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 10 - RISK MANAGEMENT - (Continued)**

The District offers medical, drug, and dental insurance to all employees through a self-insured program through the general fund. The District's third party administrator is Jefferson Health Plan. The District purchases stop loss insurance for claims in excess of \$500,000 per individual and \$1,000,000 aggregate. The District's self-insured deductible is \$75,000. Amounts between \$75,000 and \$500,000 are paid from a shared risk pool. Settled claims have not exceeded this coverage for the past three years.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [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 District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$194,217, \$187,089 and \$186,294, respectively; 83.44 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

Plan Description - The 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or 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 DC Plan 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$662,623, \$541,873 and \$702,651, respectively; 82.87 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$27,869 made by the District and \$21,897 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [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 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 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$30,269, \$27,561 and \$33,792, respectively; 83.44 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$11,268, \$10,568 and \$11,002, respectively; 83.44 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$50,971, \$50,793 and \$54,938, respectively; 82.87 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 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 240 days for classified employees and 235 days for certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of 60 days for classified employees and 58.75 days for certified employees. In addition, each certified employee will receive an additional \$50 for each year of service to the District, up to a maximum of 30 years of service.

**B. Separation Benefit**

For STRS Ohio employees, a cash payment of \$15,000 is made to all employees 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 15 years of service with the District and must meet all eligibility requirements for retirement under STRS Ohio. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ended in August 2013.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)**

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 15 years of service with the District for bus drivers, or 7 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 2012, and for all other SERS employees, ends in August 2013.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash), earnings on investments are reported for interest received (budget) rather than including the fair market value changes of the underlying investments (cash), and the net change in cash with fiscal agent is allocated among disbursements (cash) rather than not being report (budget).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 92,942
Funds budgeted elsewhere **	6,680
Net adjustment for fair market value	(16,206)
Adjustment for cash with fiscal agent	(131,145)
Adjustment for encumbrances	83,628
Modified cash basis	\$ 35,899

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a modified cash basis. This includes the uniform school supplies fund, public school support fund and the Dawg Pound Program fund.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 16 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 98,623
Nonmajor governmental	<u>141,567</u>
Total	<u>\$ 240,190</u>

THIS SECTION IS INTENTIONALLY LEFT BLANK

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund receipt amounts, as defined by statutory formula, 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 year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following modified cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	224,425
Current year qualifying disbursements	(31,554)
Current year offsets	<u>(192,871)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

**SWANTON LOCAL SCHOOL DISTRICT**  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2014

<b>Federal Grantor/Pass Trough Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal Receipts</b>	<b>Federal Disbursements</b>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
<i>(Passed Through Ohio Department of Education):</i>			
Title I-FY2013	84.010	\$ 14,444	\$ 23,383
Title I-FY2014	84.010	204,439	203,315
Total Title I		218,883	226,698
IDEA Part B Special Education Cluster:			
IDEA Part B Special Education	84.027	305,438	305,438
ECSE Preschool FY2014	84.173	7,724	7,724
Total IDEA Part B Special Education Cluster		313,162	313,162
Title IV-SDFS FY2014	84.186	-	960
Title II A-FY2013	84.367	5,406	6,263
Title II A-FY2014	84.367	43,881	42,906
Total Title II A		49,287	49,169
Ohio Resident Educator Program	84.395	1,400	1,400
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>		<b>582,732</b>	<b>591,389</b>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Child Nutrition Cluster:			
Passed through Ohio Department of Education:			
Cash Assistance			
National School Lunch Program	10.555	176,716	176,716
National School Breakfast Program	10.553	38,272	38,272
Non-Cash Assistance:			
National School Lunch Program - see Note 2	10.555	25,114	25,114
Total Nutrition Cluster		240,102	240,102
NSLP Expansion Grant	10.560	6,144	5,745
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>		<b>246,246</b>	<b>245,847</b>
<b>TOTAL FEDERAL RECEIPTS AND EXPENDITURES</b>		<b>\$ 828,978</b>	<b>\$ 837,236</b>

See Notes to the Schedule of Federal Awards Receipts and Expenditures

SWANTON LOCAL SCHOOL DISTRICT  
Fulton County, Ohio  
Notes to the Schedule of Federal Award Expenditures  
For the Year Ended June 30, 2014

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2013, the District had food commodities in inventory.

3. Subrecipients

The District passes certain federal awards received from Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As note 1 describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that the subrecipients achieve the award's performance goals. The amounts passed through to subrecipients were \$313,162.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

**INDEPENDENT AUDITORS' 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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Swanton Local School District, Fulton County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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*.

However, we did note certain other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 20, 2014.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



*Charles E. Harris & Associates, Inc.*  
December 20, 2014

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO ITS 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

To the Board of Education:

***Report on Compliance for its Major Federal Program***

We have audited the Swanton Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

***Management's Responsibility***

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Swanton Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
December 20, 2014

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 SECTION .505**

**SWANTON LOCAL SCHOOL DISTRICT**  
**FULTON COUNTY**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education Cluster - CFDA # 84.027, 84.173
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
JUNE 30, 2014**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2013, reported no material citations or recommendations.

**This page intentionally left blank.**

**This page intentionally left blank.**



# 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  
APRIL 14, 2015**