

SWANTON LOCAL SCHOOL DISTRICT

FULTON COUNTY

Audit Report

For the Year Ended June 30, 2015





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Swanton Local School District, Fulton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. 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.

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

Dave Yost
Auditor of State

February 1, 2016

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SWANTON LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 AUDIT REPORT
 For the Year Ending June 30, 2015

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1-3
Management's Discussion and Analysis.....	4-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position-Modified Cash Basis.....	15
Statement of Activities-Modified Cash Basis.....	16-17
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances-Governmental Funds.....	18
Statement of Cash Receipts, Cash Disbursements, and Changes in Modified Cash Basis Fund Balances-Governmental Funds.....	19
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - General Fund.....	20
Statement of Fund Net Position (Modified Cash Basis)-Proprietary Fund.....	21
Statement of Revenues, Expenditures and Changes in Fund Net Position- (Modified Cash Basis) - Proprietary Fund.....	22
Statement of Cash Flows (Modified Cash Basis)- Proprietary Fund.....	23
Statement of Modified Cash Basis Fiduciary Net Position-Fiduciary Funds.....	24
Statement of Change in Modified Cash Basis Fiduciary Net Position- Fiduciary Fund.....	25
Notes to the Basic Financial Statements.....	26-54
Schedules of Required Supplementary Information.....	55-59
Schedule of Federal Awards Receipts and Expenditures.....	60
Notes to the Schedule of Federal Awards Receipts and Expenditures	61
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>.....	62-63
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>.....	64-65
Schedule of Findings	66-67
Schedule of Prior Audit Findings.....	68

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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 modified cash-basis 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, 2015, 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.

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, 2015, 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. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2015, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

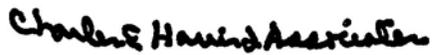
The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis, the schedules of net pension liabilities and pension contributions listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, 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.
November 13, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, 2015, 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 2015 are as follows:

- The total net cash position of the District decreased \$651,117 or 6.55% from fiscal year 2014. The net cash position for governmental activities decreased \$655,808 or 6.61% and the net cash position for business-type activities increased \$4,691 or 24.40%.
- General cash receipts accounted for \$12,791,690 or 81.64% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,876,251 or 18.36% of total governmental activities cash receipts.
- The District had \$16,323,749 in cash disbursements related to governmental activities; \$2,876,251 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 \$12,791,690 were not 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 \$12,943,233 in 2015. The cash disbursements and other financing uses of the general fund, totaled \$12,514,403 in 2015. The general fund's cash balance increased \$428,830 from fiscal year 2014 to fiscal year 2015.
- The bond retirement fund had cash receipts of \$1,134,681 in fiscal year 2015. The cash disbursements of the bond retirement fund, totaled \$2,159,479 in fiscal year 2015. The bond retirement fund's cash balance decreased \$1,024,798 from fiscal year 2014 to fiscal year 2015.
- Net cash position for the business-type activities increased by \$4,691 in fiscal year 2015. 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, 2015
(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 2015?" 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 15-17 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, 2015
(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 11.

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 18-20 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 21 - 23.

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 24 and 25 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 26-54 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 56-60 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, 2015 and June 30, 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Net Cash Position

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
<u>Assets</u>						
Equity in pooled cash and investments	\$ 7,887,147	\$ 7,788,496	\$ 23,922	\$ 19,231	\$ 7,911,069	\$ 7,807,727
Cash and cash equivalents with fiscal agent	1,384,282	2,138,741	-	-	1,384,282	2,138,741
Total assets	9,271,429	9,927,237	23,922	19,231	9,295,351	9,946,468
<u>Net Cash Position</u>						
Restricted	1,235,116	2,319,754	-	-	1,235,116	2,319,754
Unrestricted	8,036,313	7,607,483	23,922	19,231	8,060,235	7,626,714
Total net cash position	\$ 9,271,429	\$ 9,927,237	\$ 23,922	\$ 19,231	\$ 9,295,351	\$ 9,946,468

The total net cash position of the District decreased \$651,117, which represents a 6.55% decrease from fiscal year 2014. The decrease is due primarily to the use of cash with fiscal agent to redeem term bonds.

The balance of government-wide unrestricted net cash position of \$8,036,313 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 2015 and 2014.

Change in Net Cash Position

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Cash receipts:						
Program cash receipts:						
Charges for services and sales	\$ 1,212,017	\$ 1,047,963	\$ 75,167	\$ 67,532	\$ 1,287,184	\$ 1,115,495
Operating grants and contributions	1,637,936	1,553,113	-	-	1,637,936	1,553,113
Capital grants and contributions	26,298	-	-	-	26,298	-
Total program cash receipts	2,876,251	2,601,076	75,167	67,532	2,951,418	2,668,608
General cash receipts:						
Property taxes	5,572,883	5,680,682	-	-	5,572,883	5,680,682
Income taxes	1,636,480	1,585,807	-	-	1,636,480	1,585,807
Unrestricted grants	5,420,373	5,126,188	-	-	5,420,373	5,126,188
Investment earnings	82,853	30,574	-	-	82,853	30,574
Other	79,101	86,581	4,561	3,097	83,662	89,678
Total general cash receipts	12,791,690	12,509,832	4,561	3,097	12,796,251	12,512,929
Total cash receipts	15,667,941	15,110,908	79,728	70,629	15,747,669	15,181,537

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Change in Net Cash Position (Continued)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Cash disbursements:						
Instruction:						
Regular	\$ 5,153,617	\$ 5,237,207	\$ -	\$ -	\$ 5,153,617	\$ 5,237,207
Special	2,219,797	2,166,648	-	-	2,219,797	2,166,648
Vocational	4,659	146	-	-	4,659	146
Other	91,004	96,049	-	-	91,004	96,049
Support services:						
Pupil	701,320	660,843	-	-	701,320	660,843
Instructional staff	492,939	662,600	-	-	492,939	662,600
Board of education	72,223	87,620	-	-	72,223	87,620
Administration	1,252,528	1,131,956	-	-	1,252,528	1,131,956
Fiscal	441,428	436,242	-	-	441,428	436,242
Business	7,713	4,378	-	-	7,713	4,378
Operations and maintenance	1,316,030	1,220,666	-	-	1,316,030	1,220,666
Pupil transportation	651,508	774,244	-	-	651,508	774,244
Central	197,132	163,631	-	-	197,132	163,631
Operation of non instructional services:						
Food service operations	492,133	423,949	-	-	492,133	423,949
Other non-instructional services	84,441	68,663	-	-	84,441	68,663
Extracurricular activities	585,145	513,516	-	-	585,145	513,516
Facilities acquisition and construction	421,861	139,790	-	-	421,861	139,790
Debt service:						
Principal retirement	1,717,982	310,562	-	-	1,717,982	310,562
Interest and fiscal charges	420,289	847,575	-	-	420,289	847,575
Recreation	-	-	75,037	68,413	75,037	68,413
Total cash disbursements	<u>16,323,749</u>	<u>14,946,285</u>	<u>75,037</u>	<u>68,413</u>	<u>16,398,786</u>	<u>15,014,698</u>
Change in net cash position	(655,808)	164,623	4,691	2,216	(651,117)	166,839
Net cash position at beginning 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>
Net cash position at end of year	<u>\$ 9,271,429</u>	<u>\$ 9,927,237</u>	<u>\$ 23,922</u>	<u>\$ 19,231</u>	<u>\$ 9,295,351</u>	<u>\$ 9,946,468</u>

Governmental Activities

Governmental net cash position decreased by \$655,808 in fiscal year 2015 from fiscal year 2014. The decrease is due to the use of cash with fiscal agent to retire term bonds. Total governmental cash disbursements of \$16,323,749 were offset by program cash receipts of \$2,876,251 and general cash receipts of \$12,791,690. Program receipts supported 17.62% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These cash receipt sources represent 80.61% 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, 2015
(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.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015	2015	2014	2014
Cash disbursements:				
Instruction:				
Regular	\$ 5,153,617	\$ 4,591,843	\$ 5,237,207	\$ 4,775,764
Special	2,219,797	774,823	2,166,648	880,519
Vocational	4,659	(6,283)	146	(2,706)
Other	91,004	91,004	96,049	96,049
Support services:				
Pupil	701,320	701,320	660,843	660,843
Instructional staff	492,939	485,498	662,600	510,446
Board of education	72,223	72,223	87,620	87,620
Administration	1,252,528	1,252,528	1,131,956	1,131,956
Fiscal	441,428	441,428	436,242	436,242
Business	7,713	7,713	4,378	4,378
Operations and maintenance	1,316,030	1,313,730	1,220,666	1,219,166
Pupil transportation	651,508	612,132	774,244	730,919
Central	197,132	189,932	163,631	156,431
Operation of non-instructional services:				
Food service operations	492,133	2,387	423,949	6,377
Other non-instructional services	84,441	(5,631)	68,663	(5,678)
Extracurricular	585,145	362,719	513,516	358,956
Facilities acquisition and construction	421,861	421,861	139,790	139,790
Debt service:				
Principal retirement	1,717,982	1,717,982	310,562	310,562
Interest and fiscal charges	420,289	420,289	847,575	847,575
Total	<u>\$ 16,323,749</u>	<u>\$ 13,447,498</u>	<u>\$ 14,946,285</u>	<u>\$ 12,345,209</u>

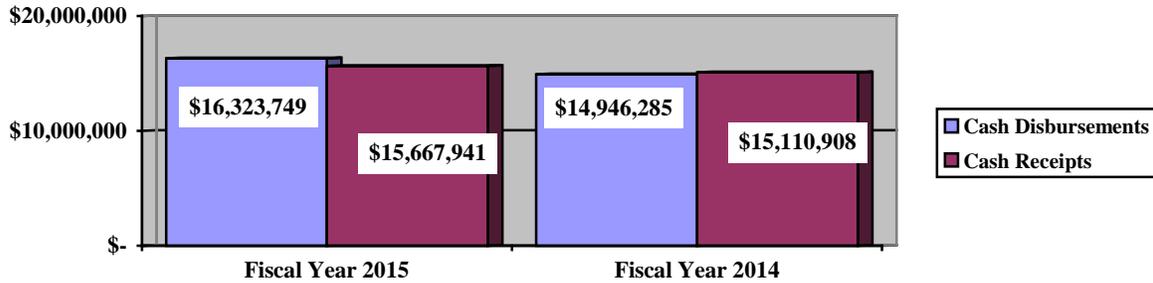
The dependence upon general cash receipts for governmental activities is apparent; with 82.38% of cash disbursements supported through taxes and other general cash receipts during 2015.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2015 and 2014.

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

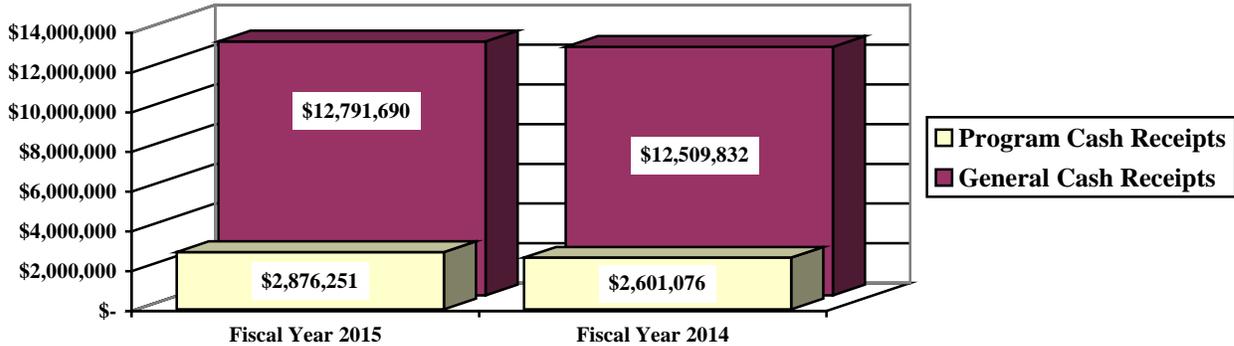
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The graph below presents the District's governmental activities cash receipts for fiscal years 2015 and 2014.

Governmental Activities - General and Program Cash Receipts



Business-type activities

Business-type activities include community recreation operations. This program had receipts of \$79,728 and disbursements of \$75,037 for fiscal year 2015. 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 \$9,271,429, which is \$655,808 less than last year's total of \$9,927,237. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2015 and June 30, 2014, 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, 2015
(UNAUDITED)

	<u>Fund Cash Balance</u> <u>June 30, 2015</u>	<u>Fund Cash Balance</u> <u>June 30, 2014</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 8,044,833	\$ 7,616,003	\$ 428,830
Bond retirement	964,021	1,988,819	(1,024,798)
Other nonmajor governmental funds	<u>262,575</u>	<u>322,415</u>	<u>(59,840)</u>
Total	<u>\$ 9,271,429</u>	<u>\$ 9,927,237</u>	<u>\$ (655,808)</u>

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$12,943,233 in 2015. The cash disbursements and other financing uses of the general fund, totaled \$12,514,403 in 2015. The general fund's fund cash balance increased \$428,830 from 2014 to 2015. Total general fund cash receipts increased 5.42 percent over fiscal year 2014. The largest increase in cash receipts was in intergovernmental receipts. The largest decrease in disbursements was in instruction.

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 6,122,516	\$ 6,058,410	1.06 %
Tuition	684,093	579,033	18.14 %
Earnings on investments	81,761	28,344	188.46 %
Intergovernmental	5,821,936	5,399,948	7.81 %
Other	<u>231,284</u>	<u>210,130</u>	10.07 %
Total	<u>\$ 12,941,590</u>	<u>\$ 12,275,865</u>	5.42 %

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements:</u>			
Instruction	\$ 6,884,573	\$ 6,913,922	(0.42) %
Support services	5,095,178	4,964,665	2.63 %
Operation of non instruction	29,787	19,463	53.04 %
Extracurricular	381,209	328,239	16.14 %
Facilities acquisition and construction	<u>108,656</u>	<u>-</u>	100.00 %
Total	<u>\$ 12,499,403</u>	<u>\$ 12,226,289</u>	2.23 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Bond Retirement Fund

The bond retirement fund had cash receipts of \$1,134,681 in fiscal year 2015. The cash disbursements of the bond retirement fund, totaled \$2,159,479 in fiscal year 2015. The fund cash balance of the bond retirement fund decreased \$1,024,798 from fiscal year 2014.

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 \$12,569,855, which were unchanged in the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2015 were \$12,910,022. This represents a \$340,167 increase from final budgeted receipts.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$14,176,650 were unchanged in the final appropriations. The actual budget basis disbursements for fiscal year 2015 totaled \$12,833,887, which was \$1,342,763 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, 2015 and 2014.

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
General obligation bonds	\$ 8,052,818	\$ 9,878,949
Total long-term obligations	<u>\$ 8,052,818</u>	<u>\$ 9,878,949</u>

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

Current Financial Related Activities

Swanton Local School District made significant reductions in the expenditures for the 2012-2013 School Year plus additional reductions for the 2013-2014 School Year. With the changes implemented in the operations of the District, the District's operating losses have improved from three years of operating losses to a positive cash flow for fiscal year 2014 and fiscal year 2015.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

For the 2013-2014 school year, the two big areas of savings for the Swanton Local School District were in the delivery of the technology services and the special education services for high school students. Both of these service areas were provided by outside organizations. Upon closer review, these services are more cost effectively being provided by employees hired directly by the District.

For the 2014-2015 school year, there were over 17 new employees in the District due to retirement replacements, resignation replacements and program delivery changes. In the area of special education, the services being provided to students are now being provided by employees hired directly by the District and within the District.

In summer of 2014, the District and the Swanton Education Association (SEA) worked to settle a three year contract that runs through 8/31/2017. Through this contract, SEA members are receiving 2% increase to the base teacher salary for the 2nd and 3rd year of the contract while increasing the employee share paid towards health insurance to 10% in the 3rd year of the contract.

The District also worked with the School Support Staff Association (SSSA) to agree to a two year contract that runs through 8/31/2016. This new contract kept the base salary constant for the first year with a 2% lump sum payment and then a 2% increase for the 2nd year of the wages. The SSSA members agreed to increase the employees share of the health care premiums each year of the contract.

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.

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.

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. The next renewal of the Emergency Levy will be placed before the voters during calendar year 2017.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 7,887,147	\$ 23,922	\$ 7,911,069
Cash with fiscal agent	1,384,282	-	1,384,282
Total assets.	<u>9,271,429</u>	<u>23,922</u>	<u>9,295,351</u>
Net cash position:			
Restricted for:			
Capital projects	141,542	-	141,542
Debt service.	964,021	-	964,021
State funded programs.	23,565	-	23,565
Federally funded programs	40,009	-	40,009
Student activities	29,368	-	29,368
Other purposes	36,611	-	36,611
Unrestricted.	<u>8,036,313</u>	<u>23,922</u>	<u>8,060,235</u>
Total net cash position.	<u>\$ 9,271,429</u>	<u>\$ 23,922</u>	<u>\$ 9,295,351</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, 2015

	Cash	Program Cash Receipts		
		Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 5,153,617	\$ 521,633	\$ 40,141	\$ -
Special	2,219,797	267,648	1,177,326	-
Vocational	4,659	-	10,942	-
Other	91,004	-	-	-
Support services:				
Pupil	701,320	-	-	-
Instructional staff	492,939	7,441	-	-
Board of education	72,223	-	-	-
Administration	1,252,528	-	-	-
Fiscal	441,428	-	-	-
Business	7,713	-	-	-
Operations and maintenance	1,316,030	2,300	-	-
Pupil transportation	651,508	-	39,376	-
Central	197,132	-	7,200	-
Operation of non-instructional services:				
Food service operations	492,133	206,460	283,286	-
Other non-instructional services	84,441	25,868	64,204	-
Extracurricular activities	585,145	180,667	15,461	26,298
Facilities acquisition and construction	421,861	-	-	-
Debt service:				
Principal retirement	1,717,982	-	-	-
Interest and fiscal charges	420,289	-	-	-
Total governmental activities	<u>16,323,749</u>	<u>1,212,017</u>	<u>1,637,936</u>	<u>26,298</u>
Business-type activities:				
Recreation	<u>75,037</u>	<u>75,167</u>	-	-
Totals	<u>\$ 16,398,786</u>	<u>\$ 1,287,184</u>	<u>\$ 1,637,936</u>	<u>\$ 26,298</u>

General cash receipts:

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

Net cash position at beginning of year

Net cash position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-Type Activities	Total
\$ (4,591,843)	\$ -	\$ (4,591,843)
(774,823)	-	(774,823)
6,283	-	6,283
(91,004)	-	(91,004)
(701,320)	-	(701,320)
(485,498)	-	(485,498)
(72,223)	-	(72,223)
(1,252,528)	-	(1,252,528)
(441,428)	-	(441,428)
(7,713)	-	(7,713)
(1,313,730)	-	(1,313,730)
(612,132)	-	(612,132)
(189,932)	-	(189,932)
(2,387)	-	(2,387)
5,631	-	5,631
(362,719)	-	(362,719)
(421,861)	-	(421,861)
(1,717,982)	-	(1,717,982)
(420,289)	-	(420,289)
<u>(13,447,498)</u>	<u>-</u>	<u>(13,447,498)</u>
-	130	130
<u>(13,447,498)</u>	<u>130</u>	<u>(13,447,368)</u>
4,486,036	-	4,486,036
933,395	-	933,395
153,452	-	153,452
1,636,480	-	1,636,480
5,420,373	-	5,420,373
82,853	-	82,853
79,101	4,561	83,662
<u>12,791,690</u>	<u>4,561</u>	<u>12,796,251</u>
(655,808)	4,691	(651,117)
<u>9,927,237</u>	<u>19,231</u>	<u>9,946,468</u>
<u>\$ 9,271,429</u>	<u>\$ 23,922</u>	<u>\$ 9,295,351</u>

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

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 6,652,031	\$ 964,021	\$ 262,575	\$ 7,878,627
Cash and cash equivalents with fiscal agent.	1,384,282	-	-	1,384,282
Restricted assets:				
Equity in pooled cash and cash equivalents	8,520	-	-	8,520
Total assets	<u>\$ 8,044,833</u>	<u>\$ 964,021</u>	<u>\$ 262,575</u>	<u>\$ 9,271,429</u>
Fund cash balances:				
Restricted:				
Debt service	\$ -	\$ 964,021	\$ -	\$ 964,021
Capital improvements	-	-	141,542	141,542
Food service operations	-	-	27,110	27,110
Non-public schools	-	-	23,565	23,565
Targeted academic assistance	-	-	39,565	39,565
School bus purchases.	8,520	-	-	8,520
Extracurricular activities	-	-	29,368	29,368
Other purposes.	-	-	1,425	1,425
Assigned:				
Student instruction	9,686	-	-	9,686
Student and staff support.	153,593	-	-	153,593
Subsequent year's appropriations	415,246	-	-	415,246
Other purposes.	19,427	-	-	19,427
Unassigned	7,438,361	-	-	7,438,361
Total fund cash balances	<u>\$ 8,044,833</u>	<u>\$ 964,021</u>	<u>\$ 262,575</u>	<u>\$ 9,271,429</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, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Property taxes	\$ 4,486,036	\$ 933,395	\$ 153,452	\$ 5,572,883
Income taxes	1,636,480	-	-	1,636,480
Tuition	684,093	-	-	684,093
Earnings on investments	81,761	1,092	-	82,853
Charges for services	-	-	185,015	185,015
Extracurricular	41,904	-	179,440	221,344
Classroom materials and fees	69,116	-	-	69,116
Other local revenues	120,264	-	64,431	184,695
Intergovernmental - state	5,774,283	200,194	103,397	6,077,874
Intergovernmental - federal	47,653	-	904,292	951,945
Total cash receipts	<u>12,941,590</u>	<u>1,134,681</u>	<u>1,590,027</u>	<u>15,666,298</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	5,111,768	-	41,849	5,153,617
Special	1,677,142	-	542,655	2,219,797
Vocational	4,659	-	-	4,659
Other	91,004	-	-	91,004
Support services:				
Pupil	701,320	-	-	701,320
Instructional staff	490,797	-	2,142	492,939
Board of education	72,223	-	-	72,223
Administration	1,248,918	-	3,610	1,252,528
Fiscal	416,737	21,208	3,483	441,428
Business	7,713	-	-	7,713
Operations and maintenance	1,316,030	-	-	1,316,030
Pupil transportation	651,508	-	-	651,508
Central	189,932	-	7,200	197,132
Operation of non-instructional services:				
Food service operations	-	-	492,133	492,133
Other non-instructional services	29,787	-	54,654	84,441
Extracurricular activities	381,209	-	203,936	585,145
Facilities acquisition and construction	108,656	-	313,205	421,861
Debt service:				
Principal retirement	-	1,717,982	-	1,717,982
Interest and fiscal charges	-	420,289	-	420,289
Total cash disbursements	<u>12,499,403</u>	<u>2,159,479</u>	<u>1,664,867</u>	<u>16,323,749</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>442,187</u>	<u>(1,024,798)</u>	<u>(74,840)</u>	<u>(657,451)</u>
Other financing sources (uses):				
Sale of capital assets	620	-	-	620
Transfers in	-	-	15,000	15,000
Transfers (out)	(15,000)	-	-	(15,000)
Insurance recoveries	1,023	-	-	1,023
Total other financing sources (uses)	<u>(13,357)</u>	<u>-</u>	<u>15,000</u>	<u>1,643</u>
Net change in fund cash balances	428,830	(1,024,798)	(59,840)	(655,808)
Fund cash balances at beginning of year	<u>7,616,003</u>	<u>1,988,819</u>	<u>322,415</u>	<u>9,927,237</u>
Fund cash balances at end of year	<u>\$ 8,044,833</u>	<u>\$ 964,021</u>	<u>\$ 262,575</u>	<u>\$ 9,271,429</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 4,420,891	\$ 4,420,891	\$ 4,486,036	\$ 65,145
Income taxes.	1,586,000	1,586,000	1,636,480	50,480
Tuition.	565,000	565,000	684,093	119,093
Earnings on investments	40,750	40,750	78,464	37,714
Classroom materials and fees	85,310	85,310	45,087	(40,223)
Other local revenues	57,550	57,550	69,541	11,991
Intergovernmental - state	5,749,354	5,749,354	5,774,282	24,928
Intergovernmental - federal	20,000	20,000	47,653	27,653
Total budgetary basis receipts.	<u>12,524,855</u>	<u>12,524,855</u>	<u>12,821,636</u>	<u>296,781</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	5,759,385	5,759,385	5,192,559	566,826
Special.	1,884,292	1,884,292	1,707,982	176,310
Vocational.	250	250	4,659	(4,409)
Other.	108,065	108,065	94,398	13,667
Support services:				
Pupil.	733,035	733,035	713,642	19,393
Instructional staff	520,525	520,525	507,579	12,946
Board of education	149,137	149,137	72,223	76,914
Administration.	1,401,687	1,401,687	1,284,577	117,110
Fiscal	547,749	547,749	432,047	115,702
Business	8,500	8,500	7,713	787
Operations and maintenance.	1,590,577	1,590,577	1,411,616	178,961
Pupil transportation	840,354	840,354	695,356	144,998
Central.	189,730	189,730	197,530	(7,800)
Other non-instructional services	697	697	4,388	(3,691)
Extracurricular activities.	392,667	392,667	383,962	8,705
Facilities acquisition and construction	-	-	108,656	(108,656)
Total budgetary basis disbursements.	<u>14,126,650</u>	<u>14,126,650</u>	<u>12,818,887</u>	<u>1,307,763</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(1,601,795)</u>	<u>(1,601,795)</u>	<u>2,749</u>	<u>1,604,544</u>
Other financing sources (uses):				
Refund of prior year's expenditures	45,000	45,000	86,743	41,743
Transfers (out).	(50,000)	(50,000)	(15,000)	35,000
Insurance recoveries.	-	-	1,023	1,023
Sale of capital assets	-	-	620	620
Total other financing sources (uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>73,386</u>	<u>78,386</u>
Net change in budgetary fund balance	(1,606,795)	(1,606,795)	76,135	1,682,930
Fund balance at beginning of year	6,313,646	6,313,646	6,313,646	-
Prior year encumbrances appropriated	83,628	83,628	83,628	-
Fund balance at end of year	<u>\$ 4,790,479</u>	<u>\$ 4,790,479</u>	<u>\$ 6,473,409</u>	<u>\$ 1,682,930</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Recreation</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 23,922
Net cash position:	
Unrestricted.	\$ 23,922

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 FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Recreation
Operating receipts:	
Charges for services.	\$ 75,167
Other	4,561
Total operating receipts	79,728
 Operating disbursements:	
Personal services.	17,322
Fringe benefits.	5,783
Purchased services.	490
Materials and supplies	47,468
Other.	3,974
Total operating disbursements	75,037
 Change in net cash position	 4,691
 Net cash position at beginning of year. . .	 19,231
 Net cash position at end of year	 \$ 23,922

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Recreation
Cash flows from operating activities:	
Cash received from customers.	\$ 75,167
Cash received from other operations	4,561
Cash payments for salaries.	(17,322)
Cash payments for fringe benefits.	(5,783)
Cash payments for purchased services.	(490)
Cash payments for materials and supplies.	(47,468)
Cash payments for other expenses	(3,974)
Net cash provided by operating activities.	4,691
Cash and cash equivalents at beginning of year . . .	19,231
Cash and cash equivalents at end of year	\$ 23,922

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, 2015

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 49,545	\$ 15,022
Net cash position:		
Held in trust for scholarships	\$ 49,545	\$ -
Held for student activities.	-	15,022
Total net cash position.	\$ 49,545	\$ 15,022

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET CASH POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship
Deductions:	
Scholarships awarded	\$ 2,000
Change in net cash position	(2,000)
Net cash position at beginning of year. . .	51,545
Net cash position at end of year	\$ 49,545

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, 2015**

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 43 classified employees, 85 certified teaching personnel, and 7 administrative employees who provide services to approximately 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, 2015

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 \$62,818. 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 2015. 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, 2015

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, 2015

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, 2015

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, 2015

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, 2015**

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 was held separately with the District's third-party administrator is recorded as "cash and cash equivalents with fiscal agent".

During fiscal year 2015, investments were limited to federal agency securities, negotiable 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 2015 amounted to \$81,761, which includes \$14,965 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, 2015

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 2015.

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, 2015**

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, 2015

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.

R. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the District's pension plan disclosures, as presented in Note 11 to the financial statements, and added required supplementary information which is presented on pages 59-63.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 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.

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, 2015**

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, 2015, the carrying amount of all District deposits was \$1,500,599. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$954,929 of the District's bank balance of \$1,842,853 was exposed to custodial risk as discussed below, while \$887,924 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, 2015

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, 2015, 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	\$ 2,257,205	\$ 250,317	\$ 252,225	\$ 251,687	\$ 251,155	\$ 1,251,821
FNMA	2,524,853	-	150,208	179,955	-	2,194,690
FHLMC	924,671	300,213	-	224,282	-	400,176
FFCB	245,044	-	-	-	-	245,044
FHLB	515,754	-	-	-	-	515,754
U.S. Government money market fund	2,510	2,510	-	-	-	-
Total	\$ 6,470,037	\$ 553,040	\$ 402,433	\$ 655,924	\$ 251,155	\$ 4,607,485

The weighted average maturity of investments is 2.41 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, 2015

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, 2015:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
Negotiable CDs	\$ 2,257,205	34.89
FNMA	2,524,853	39.02
FHLMC	924,971	14.29
FFCB	245,044	3.79
FHLB	515,754	7.97
U.S. Government money market fund	<u>2,510</u>	<u>0.04</u>
Total	<u>\$ 6,470,337</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, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,500,599
Cash with fiscal agent	1,384,282
Investments	6,470,037
Cash on hand	<u>5,000</u>
Total	<u>\$ 9,359,918</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 9,271,429
Business-type activities	23,922
Private-purpose trust fund	49,545
Agency funds	<u>15,022</u>
Total	<u>\$ 9,359,918</u>

NOTE 5 - INTERFUND TRANSACTIONS

During fiscal year 2015, the general fund transferred \$15,000 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, 2015

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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 172,649,880	96.31	\$ 174,846,250	96.25
Public utility personal	<u>6,611,660</u>	<u>3.69</u>	<u>6,811,860</u>	<u>3.75</u>
Total	<u>\$ 179,261,540</u>	<u>100.00</u>	<u>\$ 181,658,110</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 63.19		\$ 62.64	

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, 2015, 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, 2015

NOTE 8 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2015, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2015</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
<u>FY05 school improvements bonds</u>					
Current interest bonds	\$ 1,020,000	\$ -	\$ (1,020,000)	\$ -	\$ -
Capital appreciation bonds	27,982	-	(27,982)	-	-
Accreted interest	105,485	11,533	(117,018)	-	-
Premium	103,228	-	(103,228)	-	-
<u>FY06 refunding bonds</u>					
Current interest bonds	5,990,000	-	(25,000)	5,965,000	25,000
Capital appreciation bonds	374,997	-	-	374,997	-
Accreted interest	614,587	124,614	-	739,201	-
Premium	322,670	-	(24,050)	298,620	-
<u>FY13 refunding bonds</u>					
Current interest bonds	<u>1,320,000</u>	<u>-</u>	<u>(645,000)</u>	<u>675,000</u>	<u>675,000</u>
Total long-term obligations governmental activities	<u>\$ 9,878,949</u>	<u>\$ 136,147</u>	<u>\$ (1,962,278)</u>	<u>\$ 8,052,818</u>	<u>\$ 700,000</u>

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. During fiscal year 2015, the resources with trustee were used for the retirement of the term bonds. At June 30, 2015, none of the FY05 school improvement bonds remain outstanding.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds were completely retired during fiscal year 2015.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$1,410,000. For fiscal year 2015, \$124,614 was accreted for a total bond value of \$1,114,198 at fiscal year-end.

At June 30, 2015, \$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 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
2016	\$ 700,000	\$ 254,905	\$ 954,905	\$ -	\$ -	\$ -
2017	-	240,905	240,905	198,613	506,387	705,000
2018	-	240,905	240,905	176,384	528,616	705,000
2019	705,000	226,805	931,805	-	-	-
2020	750,000	197,705	947,705	-	-	-
2021 - 2025	4,140,000	674,177	4,814,177	-	-	-
2026	345,000	7,245	352,245	-	-	-
Total	<u>\$ 6,640,000</u>	<u>\$ 1,842,647</u>	<u>\$ 8,482,647</u>	<u>\$ 374,997</u>	<u>\$ 1,035,003</u>	<u>\$ 1,410,000</u>

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, 2015, are a voted debt margin of \$10,298,254 and an unvoted debt margin of \$181,658.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 9 - 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 2015, 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	60,887,129

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 2015, 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.

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 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$236,217 for fiscal year 2015.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$720,384 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportionate share of the net pension liability	\$2,839,189	\$11,707,859	\$14,547,048
Proportion of the net pension liability	0.05610000%	0.04813402%	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
 Total	 <u><u>100.00 %</u></u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$4,050,679	\$2,839,189	\$1,820,221

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio’s investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$16,761,077	\$11,707,859	\$7,434,538

NOTE 11 - 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 (the latest information available) 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, 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 2015, 0.82 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 2015, the actuarially determined amount was \$20,450.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were \$42,102, \$30,269 and \$27,561, respectively; 92.73 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014, and 2013 were \$12,486, \$11,268 and \$10,568, respectively; 92.73 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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, 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 2015, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$50,971 and \$50,793, respectively; 100 percent has been contributed for fiscal years 2014 and 2013.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - OTHER EMPLOYEE BENEFITS – (Continued)

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 2014.

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 2013, and for all other SERS employees, ended in August 2014.

NOTE 13 - 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	\$ 76,135
Funds budgeted elsewhere **	(8,131)
Net adjustment for fair market value	3,297
Adjustment for cash with fiscal agent	285,415
Adjustment for encumbrances	72,114
Modified cash basis	\$ 428,830

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

** 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.

NOTE 14 - 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 15 - 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	\$ 91,511
Nonmajor governmental	<u>79,130</u>
Total	<u>\$ 170,641</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, 2015

NOTE 16 - 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, 2014	\$ -
Current year set-aside requirement	228,502
Current year qualifying disbursements	(9,070)
Current year offsets	<u>(219,432)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

In addition to the above statutory set-aside, the District also has \$8,520 restricted for school bus purchases.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS*

	2015	2014
District's proportion of the net pension liability	0.05610000%	0.05610000%
District's proportionate share of the net pension liability	\$ 2,839,189	\$ 3,336,087
District's covered-employee payroll	\$ 1,687,264	\$ 1,630,143
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.27%	204.65%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS*

	2015	2014
District's proportion of the net pension liability	0.48134020%	0.48134020%
District's proportionate share of the net pension liability	\$ 11,707,859	\$ 13,946,326
District's covered-employee payroll	\$ 5,145,600	\$ 4,917,964
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	227.53%	283.58%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

* The amounts present each fiscal year were determined as of 6/30 of the previous fiscal year.

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2015	2014
Contractually required contribution	\$ 236,217	\$ 228,220
Contributions in relation to the contractually required contribution	(236,217)	(228,220)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 1,792,238	\$ 1,646,609
Contributions as a percentage of covered-employee payroll	13.18%	13.86%

Note: Information prior to fiscal year 2014 was unavailable.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2015	2014
Contractually required contribution	\$ 739,094	\$ 688,515
Contributions in relation to the contractually required contribution	(739,094)	(688,515)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 5,279,243	\$ 5,296,269
Contributions as a percentage of covered-employee payroll	14.00%	13.00%

Note: Information prior to fiscal year 2014 was unavailable.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SWANTON LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Trough Grantor Program Title	CFDA Number	Federal Receipts	Federal Disbursements
<u>U. S. DEPARTMENT OF EDUCATION</u>			
<i>(Passed Through Ohio Department of Education):</i>			
Title I-FY2014	84.010	\$ 32,000	\$ 29,253
Title I-FY2015	84.010	244,181	208,579
Total Title I		276,181	237,832
IDEA Part B Special Education Cluster:			
IDEA Part B Special Education	84.027	301,927	301,927
ECSE Preschool FY2015	84.173	7,727	7,727
Total IDEA Part B Special Education Cluster		309,654	309,654
Title IV-SDFS FY2015	84.186	-	825
Title II A-FY2014	84.367	-	975
Title II A-FY2015	84.367	40,141	40,049
Total Title II A		40,141	41,024
TOTAL U. S. DEPARTMENT OF EDUCATION		625,976	589,335
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed through Ohio Department of Education:			
Cash Assistance			
National School Lunch Program	10.555	226,882	226,882
National School Breakfast Program	10.553	51,063	51,063
Non-Cash Assistance:			
National School Lunch Program - see Note 2	10.555	30,213	30,213
Total Nutrition Cluster		308,158	308,158
TOTAL U. S. DEPARTMENT OF AGRICULTURE		308,158	308,158
TOTAL FEDERAL RECEIPTS AND EXPENDITURES		\$ 934,134	\$ 897,493

See Notes to the Schedule of Federal Awards Receipts and Expenditures

SWANTON LOCAL SCHOOL DISTRICT
Fulton County, Ohio
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2015

1. Significant Accounting Policies

The accompanying schedule of federal awards receipts and 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, 2015, 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 \$309,654.

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**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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted a new accounting guidance in Governmental Accounting Standards Board Statement No. 68, "*Accounting and Financial Reporting for Pensions*".

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

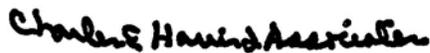
As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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.
November 13, 2015

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Charles E. Harris & Associates, Inc.
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

To the Board of Education:

Report on Compliance for Each 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 programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal programs 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 programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each 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 programs for the year ended June 30, 2015.

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.
November 13, 2015

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY
June 30, 2015

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>	Yes
(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>	Title I Cluster - CFDA # 84.010 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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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

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

FINDING NUMBER 2015-001: Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2015. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's Audit and Accounting Guide Audits of State and Local Governments. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. Implementation of these procedures would help ensure accurate and timely financial statements are available to the District's community.

Official's Response:

As one of the many cost cutting items identified for 2015, the Board agreed with the Treasurer's recommendation to suspend the preparation and compilation of the traditional GAAP reports due to its high cost versus the limited value and usage of these reports.

3. FINDINGS FOR FEDERAL AWARDS

None

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY
JUNE 30, 2015**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending June 30, 2014, reported no material citations or recommendations.



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
FEBRUARY 11, 2016**