

SWANTON LOCAL SCHOOL DISTRICT

FULTON COUNTY

Audit Report

For the Year Ended June 30, 2013





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Swanton Local School District, Fulton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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

March 19, 2014

This page intentionally left blank.

**SWANTON LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 AUDIT REPORT
 For the Year Ending June 30, 2013**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1-3
Management's Discussion and Analysis.....	4-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position-Cash Basis.....	11
Statement of Activities-Cash Basis.....	12-13
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances-Governmental Funds.....	14
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances-Governmental Funds.....	15
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual - General Fund.....	16
Statement of Fund Net Position (Cash Basis)-Enterprise Fund.....	17
Statement of Revenues, Expenditures and Changes in Fund Net Position- (Cash Basis) - Enterprise Fund.....	18
Statement of Cash Flows (Cash Basis)- Enterprise Fund.....	19
Statement of Cash Basis Fiduciary Net Position-Fiduciary Funds.....	20
Statement of Change in Cash Basis Fiduciary Net Position- Private Purpose Trust Fund.....	21
Notes to the Basic Financial Statements.....	22-46
Schedule of Federal Awards Expenditures.....	47
Notes to the Schedule of Federal Awards Expenditures	48
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>.....	49-50
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>.....	51-52
Schedule of Findings	53
Schedule of Prior Audit Findings.....	54
Independent Auditors' Report on Applying Agreed-Upon Procedure.....	55

This page intentionally left blank.

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

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

INDEPENDENT AUDITORS' REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Swanton Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2013, 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 cash accounting basis Note 2 describes. This responsibility includes determining that the 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 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, 2013, and the changes in cash financial position and cash flows, where applicable and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

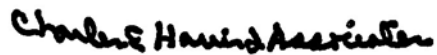
We audited to opine on the District's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. The Schedule of Federal Awards Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 27, 2013

Swanton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of Swanton Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2013 are as follows:

Net position for governmental activities decreased \$844,358, or 8 percent, due to cash carryover spending. Net position for the business-type activity decreased 26 percent due to a decrease in registration.

General revenues accounted for 86 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

For the business-type activity, 96 percent of total revenues were generated by the program.

Using the Basic Financial Statements

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

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

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

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

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

Swanton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental and business-type activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental and business-type activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business activity draws from the School District's general receipts.

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

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

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

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

Reporting the School District's Most Significant Funds

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

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

Swanton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 and fiscal year 2012:

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2013	2012	2013	2012	2013	2012
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$7,453,026	\$8,995,722	\$17,015	\$22,964	\$7,470,041	\$9,018,686
Cash and Cash Equivalents with Fiscal Agent	2,309,588	1,611,250	0	0	2,309,588	1,611,250
Total Assets	<u>9,762,614</u>	<u>10,606,972</u>	<u>17,015</u>	<u>22,964</u>	<u>9,779,629</u>	<u>10,629,936</u>
<u>Net Position</u>						
Restricted	\$2,191,030	\$1,990,756	\$0	\$0	\$2,191,030	\$1,990,756
Unrestricted	7,571,584	8,616,216	17,015	22,964	7,588,599	8,639,180
Total Net Position	<u>\$9,762,614</u>	<u>\$10,606,972</u>	<u>\$17,015</u>	<u>\$22,964</u>	<u>\$9,779,629</u>	<u>\$10,629,936</u>

The overall decrease in net position for governmental activities was 8 percent and due to cash carryover spending.

There was a 26 percent decrease in net position for the business-type activity due to a decrease in registration.

Swanton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2013	2012	2013	2012	2013	2012
<u>Receipts</u>						
Program Receipts						
Charges for Services	\$954,105	\$951,955	\$62,761	\$69,850	\$1,016,866	\$1,021,805
Operating Grants and Contributions	1,241,052	1,360,876	0	0	1,241,052	1,360,876
Total Program Receipts	<u>2,195,157</u>	<u>2,312,831</u>	<u>62,761</u>	<u>69,850</u>	<u>2,257,918</u>	<u>2,382,681</u>
General Receipts						
Property Taxes Levied for General Purposes	4,444,595	4,553,399	0	0	4,444,595	4,553,399
Property Taxes Levied for Debt Service	1,146,164	1,246,340	0	0	1,146,164	1,246,340
Property Taxes Levied for Permanent Improvements	154,878	168,417	0	0	154,878	168,417
Income Taxes	1,540,122	1,521,550	0	0	1,540,122	1,521,550
Grants and Entitlements	4,819,194	5,018,581	0	0	4,819,194	5,018,581
Interest	39,406	51,648	0	0	39,406	51,648
Gifts and Donations	9,708	6,028	0	0	9,708	6,028
Other	337,346	283,604	2,924	4,816	340,270	288,420
Sale of Capital Assets	1,250	0	0	0	1,250	0
General Obligation Bonds Issued	1,320,000	0	0	0	1,320,000	0
Total General Receipts	<u>13,812,663</u>	<u>12,849,567</u>	<u>2,924</u>	<u>4,816</u>	<u>13,815,587</u>	<u>12,854,383</u>
Total Receipts	<u>16,007,820</u>	<u>15,162,398</u>	<u>65,685</u>	<u>74,666</u>	<u>16,073,505</u>	<u>15,237,064</u>
<u>Disbursements</u>						
Instruction:						
Regular	5,701,699	6,266,628	0	0	5,701,699	6,266,628
Special	1,986,834	1,758,677	0	0	1,986,834	1,758,677
Vocational	240	91	0	0	240	91
Support Services:						
Pupils	741,324	729,115	0	0	741,324	729,115
Instructional Staff	624,812	724,795	0	0	624,812	724,795
Board of Education	54,957	100,744	0	0	54,957	100,744
Administration	1,316,962	1,296,167	0	0	1,316,962	1,296,167
Fiscal	467,282	417,598	0	0	467,282	417,598
Business	6,854	5,781	0	0	6,854	5,781
Operation of Maintenance of Plant	1,334,923	1,324,062	0	0	1,334,923	1,324,062
Pupil Transportation	791,425	724,755	0	0	791,425	724,755
Central	91,260	93,449	0	0	91,260	93,449
Non-Instructional Services	563,870	575,841	0	0	563,870	575,841
Extracurricular Activities	474,508	417,653	0	0	474,508	417,653
Capital Outlay	123,727	197,339	0	0	123,727	197,339
Principal Retirement	1,671,446	1,130,000	0	0	1,671,446	1,130,000
Interest and Fiscal Charges	416,501	375,121	0	0	416,501	375,121
Interest on Capital Appreciation Bonds	483,554	0	0	0	483,554	0
Recreation	0	0	71,634	73,546	71,634	73,546
Total Disbursements	<u>16,852,178</u>	<u>16,137,816</u>	<u>71,634</u>	<u>73,546</u>	<u>16,923,812</u>	<u>16,211,362</u>
Increase (Decrease) in Net Position	(844,358)	(975,418)	(5,949)	1,120	(850,307)	(974,298)
Net Position at Beginning of Year	10,606,972	11,582,390	22,964	21,844	10,629,936	11,604,234
Net Position at End of Year	<u>\$9,762,614</u>	<u>\$10,606,972</u>	<u>\$17,015</u>	<u>\$22,964</u>	<u>\$9,779,629</u>	<u>\$10,629,936</u>

Swanton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

For governmental activities, program receipts represent 14 percent of total receipts (consistent with the prior fiscal year) and primarily consist of restricted intergovernmental receipts, tuition, fees, charges for extracurricular activities, and food service sales. Operating grants and contributions reflected as program receipts are restricted intergovernmental resources which are directly associated with certain governmental activities, such as special education funding and food service subsidies. Overall receipts decreased primarily due to a decrease in property tax receipts (decrease in assessed valuation) and a reduction in State funding.

The most significant change in program disbursements for governmental activities was due to paying interest related costs (accretion) on capital appreciation bonds. The major program cost for governmental activities continues to be for instruction, which accounts for 46 percent of all governmental disbursements. Other programs which directly support the instruction process including pupils, instructional staff, and pupil transportation account for 13 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant cost, 8 percent.

For the business-type activity, the decrease in registration receipts resulted in an overall decrease in net position.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction:				
Regular	\$5,701,699	\$6,266,628	\$5,247,017	\$5,574,415
Special	1,986,834	1,758,677	953,587	863,984
Vocational	240	91	(4,171)	(4,320)
Support Services:				
Pupils	741,324	729,115	741,324	729,115
Instructional Staff	624,812	724,795	624,812	724,795
Board of Education	54,957	100,744	54,957	100,744
Administration	1,316,962	1,296,167	1,316,962	1,296,167
Fiscal	467,282	417,598	467,282	417,598
Business	6,854	5,781	6,854	5,781
Operation and Maintenance of Plant	1,334,923	1,324,062	1,334,923	1,324,062
Pupil Transportation	791,425	724,755	754,393	699,968
Central	91,260	93,449	84,060	86,249
Non-Instructional Services	563,870	575,841	49,646	(27,077)
Extracurricular Activities	474,508	417,653	330,147	331,044
Capital Outlay	123,727	197,339	123,727	197,339
Principal Retirement	1,671,446	1,130,000	1,671,446	1,130,000
Interest and Fiscal Charges	416,501	375,121	416,501	375,121
Interest on Capital Appreciation Bonds	483,554	0	483,554	0
Total Expenses	<u>\$16,852,178</u>	<u>\$16,137,816</u>	<u>\$14,657,021</u>	<u>\$13,824,985</u>

Swanton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The above table demonstrates the School District's significant dependence on general receipts as 87 percent of the current fiscal year's costs were paid for through general receipts. Note that only a very few of the school district's programs receive significant support from program receipts. For example, 52 percent of special instruction costs are provided for through operating grants restricted for special instruction programs. Similarly, 91 percent of non-instructional services costs were paid for through program receipts this fiscal year. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. This program also includes disbursements made by the School District on behalf of St. Richards Catholic School. Approximately 30 percent of extracurricular activities costs are paid for through program receipts. These program receipts are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. For the General Fund, there was a 13 percent decrease in fund balance. Both receipts and disbursements remained fairly similar to the prior fiscal year; however, disbursements were in excess of receipts (cash carryover spending).

The increase in fund balance in the Bond Retirement debt service fund is the result of property tax and related receipts as well as the proceeds of new debt exceeding debt service requirements for the fiscal year.

The School District's business-type activity, which accounts for a community recreation program, had a decrease in net position due to a decrease in registration.

General Fund Budgeting Highlights

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

During fiscal year 2013, the School District amended its General Fund budget as needed. Changes from the original budget to the final budget and the final budget to actual revenues were not significant.

For expenditures, changes between the original and final appropriations were not significant. Actual expenditures were over \$1.6 million less than amounts budgeted due to conservative budgeting.

Current Issues

The School 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 School 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.

Swanton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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

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

In spring of 2013, the School 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 School 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 School 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 School District to justify reducing the monthly premiums by 38 percent for fiscal year 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 premium also gives the employees a truer picture of the cost of health insurance provided to them as a benefit.

The School District is collecting .75 percent from the income tax that was approved at this reduced rate by voters and started at this reduced rate on January 1, 2010. It took eighteen months for the full effect to be seen in the School District's cash flow. Overall, the collections are down by about \$1,000,000 from when the collection rate was at 1.25 percent. The School 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. The income tax will run through December 31, 2014, meaning the School District will have to place a renewal of this tax before the voters in calendar year 2014.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joyce Kinsman, Treasurer, Swanton Local School District, 108 North Main Street, Swanton, Ohio 43558-1032.

Swanton Local School District
Statement of Net Position - Cash Basis
June 30, 2013

	Governmental Activities	Business-Type Activity	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$7,453,026	\$17,015	\$7,470,041
Cash and Cash Equivalents with Fiscal Agent	2,309,588	0	2,309,588
Total Assets	\$9,762,614	\$17,015	\$9,779,629
 <u>Net Position:</u>			
Restricted For:			
Debt Service	\$1,889,703	\$0	\$1,889,703
Capital Projects	189,308	0	189,308
Other Purposes	112,019	0	112,019
Unrestricted	7,571,584	17,015	7,588,599
Total Net Position	\$9,762,614	\$17,015	\$9,779,629

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2013

		Program Receipts	
Disbursements	Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$5,701,699	\$413,368	\$41,314
Special	1,986,834	201,762	831,485
Vocational	240	0	4,411
Support Services:			
Pupils	741,324	0	0
Instructional Staff	624,812	0	0
Board of Education	54,957	0	0
Administration	1,316,962	0	0
Fiscal	467,282	0	0
Business	6,854	0	0
Operation and Maintenance of Plant	1,334,923	0	0
Pupil Transportation	791,425	0	37,032
Central	91,260	0	7,200
Non-Instructional Services	563,870	200,147	314,077
Extracurricular Activities	474,508	138,828	5,533
Capital Outlay	123,727	0	0
Debt Service:			
Principal Retirement	1,671,446	0	0
Interest and Fiscal Charges	416,501	0	0
Interest on Capital Appreciation Bonds	483,554	0	0
Total Governmental Activities	16,852,178	954,105	1,241,052
<u>Business-Type Activity:</u>			
Recreation	71,634	62,761	0
Total	\$16,923,812	\$1,016,866	\$1,241,052

General Receipts:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service
Property Taxes Levied for Permanent Improvements
Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Other
Sale of Capital Assets
General Obligation Bonds Issued
Total General Receipts

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Disbursements) Receipts and Change in Net Position		
Governmental Activities	Business-Type Activity	Total
(\$5,247,017)	\$0	(\$5,247,017)
(953,587)	0	(953,587)
4,171	0	4,171
(741,324)	0	(741,324)
(624,812)	0	(624,812)
(54,957)	0	(54,957)
(1,316,962)	0	(1,316,962)
(467,282)	0	(467,282)
(6,854)	0	(6,854)
(1,334,923)	0	(1,334,923)
(754,393)	0	(754,393)
(84,060)	0	(84,060)
(49,646)	0	(49,646)
(330,147)	0	(330,147)
(123,727)	0	(123,727)
(1,671,446)	0	(1,671,446)
(416,501)	0	(416,501)
(483,554)	0	(483,554)
<u>(14,657,021)</u>	<u>0</u>	<u>(14,657,021)</u>
0	(8,873)	(8,873)
<u>(14,657,021)</u>	<u>(8,873)</u>	<u>(14,665,894)</u>
4,444,595	0	4,444,595
1,146,164	0	1,146,164
154,878	0	154,878
1,540,122	0	1,540,122
4,819,194	0	4,819,194
39,406	0	39,406
9,708	0	9,708
337,346	2,924	340,270
1,250	0	1,250
<u>1,320,000</u>	<u>0</u>	<u>1,320,000</u>
<u>13,812,663</u>	<u>2,924</u>	<u>13,815,587</u>
(844,358)	(5,949)	(850,307)
10,606,972	22,964	10,629,936
<u>\$9,762,614</u>	<u>\$17,015</u>	<u>\$9,779,629</u>

Swanton Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2013

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,341,572	\$810,127	\$292,807	\$7,444,506
Cash and Cash Equivalents with Fiscal Agent	1,230,012	1,079,576	0	2,309,588
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	8,520	0	0	8,520
Total Assets	<u>\$7,580,104</u>	<u>\$1,889,703</u>	<u>\$292,807</u>	<u>\$9,762,614</u>
<u>Fund Balances:</u>				
Restricted	\$8,520	\$1,889,703	\$292,807	\$2,191,030
Assigned	2,116,281	0	0	2,116,281
Unassigned	5,455,303	0	0	5,455,303
Total Fund Balances	<u>\$7,580,104</u>	<u>\$1,889,703</u>	<u>\$292,807</u>	<u>\$9,762,614</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$4,444,595	\$1,146,164	\$154,878	\$5,745,637
Income Taxes	1,540,122	0	0	1,540,122
Intergovernmental	4,911,319	232,771	910,623	6,054,713
Interest	39,406	0	0	39,406
Tuition and Fees	615,130	0	0	615,130
Extracurricular Activities	0	0	138,828	138,828
Charges for Services	0	0	200,147	200,147
Gifts and Donations	9,708	0	5,533	15,241
Other	243,342	78,862	15,142	337,346
Total Receipts	<u>11,803,622</u>	<u>1,457,797</u>	<u>1,425,151</u>	<u>14,686,570</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	5,652,326	0	49,373	5,701,699
Special	1,486,174	0	500,660	1,986,834
Vocational	240	0	0	240
Support Services:				
Pupils	741,324	0	0	741,324
Instructional Staff	624,112	0	700	624,812
Board of Education	54,957	0	0	54,957
Administration	1,313,410	0	3,552	1,316,962
Fiscal	436,217	27,367	3,698	467,282
Business	6,854	0	0	6,854
Operation and Maintenance of Plant	1,334,923	0	0	1,334,923
Pupil Transportation	791,425	0	0	791,425
Central	84,060	0	7,200	91,260
Non-Instructional Services	14,637	0	549,233	563,870
Extracurricular Activities	320,198	0	154,310	474,508
Capital Outlay	0	0	123,727	123,727
Debt Service:				
Principal Retirement	0	1,671,446	0	1,671,446
Interest and Fiscal Charges	0	416,501	0	416,501
Interest on Capital Appreciation Bonds	0	483,554	0	483,554
Total Disbursements	<u>12,860,857</u>	<u>2,598,868</u>	<u>1,392,453</u>	<u>16,852,178</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,057,235)</u>	<u>(1,141,071)</u>	<u>32,698</u>	<u>(2,165,608)</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	1,250	0	0	1,250
General Obligation Bonds Issued	0	1,320,000	0	1,320,000
Advance In	0	0	6,216	6,216
Advance Out	(6,216)	0	0	(6,216)
Transfers In	0	0	22,000	22,000
Transfers Out	(22,000)	0	0	(22,000)
Total Other Financing Sources (Uses)	<u>(26,966)</u>	<u>1,320,000</u>	<u>28,216</u>	<u>1,321,250</u>
Changes in Fund Balances	(1,084,201)	178,929	60,914	(844,358)
Fund Balances at Beginning of Year	8,664,305	1,710,774	231,893	10,606,972
Fund Balances at End of Year	<u>\$7,580,104</u>	<u>\$1,889,703</u>	<u>\$292,807</u>	<u>\$9,762,614</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Receipts:</u>				
Property Taxes	\$4,535,279	\$4,535,279	\$4,444,595	(\$90,684)
Income Taxes	1,529,157	1,529,157	1,540,122	10,965
Intergovernmental	4,719,212	4,719,212	4,911,319	192,107
Interest	16,000	16,000	17,550	1,550
Tuition and Fees	648,000	648,500	615,130	(33,370)
Gifts and Donations	5,000	5,000	9,708	4,708
Other	122,425	218,570	164,779	(53,791)
Total Receipts	<u>11,575,073</u>	<u>11,671,718</u>	<u>11,703,203</u>	<u>31,485</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,188,150	6,244,599	5,477,279	767,320
Special	1,447,000	1,610,500	1,457,240	153,260
Vocational	0	0	240	(240)
Support Services:				
Pupils	790,751	790,752	724,984	65,768
Instructional Staff	694,760	586,260	622,088	(35,828)
Board of Education	97,000	97,000	63,810	33,190
Administration	1,435,058	1,435,058	1,272,138	162,920
Fiscal	555,775	555,775	428,214	127,561
Business	11,000	11,000	6,854	4,146
Operation and Maintenance of Plant	1,552,346	1,552,346	1,322,196	230,150
Pupil Transportation	826,206	826,206	751,503	74,703
Central	80,000	40,000	82,813	(42,813)
Non-Instructional Services	0	24,500	7,463	17,037
Extracurricular Activities	384,946	394,946	318,130	76,816
Total Disbursements	<u>14,062,992</u>	<u>14,168,942</u>	<u>12,534,952</u>	<u>1,633,990</u>
Excess of Receipts				
Under Disbursements	<u>(2,487,919)</u>	<u>(2,497,224)</u>	<u>(831,749)</u>	<u>1,665,475</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	0	0	1,250	1,250
Refund of Prior Year Expenditures	0	0	78,563	78,563
Advances Out	0	0	(6,216)	(6,216)
Transfers Out	(55,000)	(55,000)	(22,000)	33,000
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>(55,000)</u>	<u>51,597</u>	<u>106,597</u>
Changes in Fund Balance	(2,542,919)	(2,552,224)	(780,152)	1,772,072
Fund Balance at Beginning of Year	6,929,791	6,929,791	6,929,791	0
Prior Year Encumbrances Appropriated	118,888	118,888	118,888	0
Fund Balance at End of Year	<u>\$4,505,760</u>	<u>\$4,496,455</u>	<u>\$6,268,527</u>	<u>\$1,772,072</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Statement of Fund Net Position - Cash Basis
Enterprise Fund
June 30, 2013

	<u>Recreation</u>
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$17,015</u>
<u>Net Position:</u>	
Unrestricted	<u>\$17,015</u>

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Position - Cash Basis
Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	Recreation
<u>Operating Revenues:</u>	
Charges for Services	\$62,761
Other Operating Revenues	2,924
Total Operating Revenues	65,685
 <u>Operating Expenses:</u>	
Salaries	13,196
Fringe Benefits	4,246
Purchased Services	545
Materials and Supplies	53,647
Total Operating Expenses	71,634
 Change in Net Position	 (5,949)
Net Position at Beginning of Year	22,964
Net Position at End of Year	\$17,015

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Statement of Cash Flows - Cash Basis
Enterprise Fund
For the Fiscal Year Ended June 30, 2013

	<u>Recreation</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$62,761
Cash Payments for Salaries	(13,196)
Cash Payments for Fringe Benefits	(4,246)
Cash Payments for Goods and Services	(54,192)
Cash Received from Other Revenues	2,924
Net Cash Used for Operating Activities	(5,949)
Cash and Cash Equivalents at Beginning of Year	22,964
Cash and Cash Equivalents at End of Year	\$17,015

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Statement of Cash Basis Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$53,402	\$15,890
<u>Net Position:</u>		
Held for Student Activities	\$0	\$15,890
Held in Trust for Scholarships	53,402	0
Total Net Position	\$53,402	\$15,890

See Accompanying Notes to the Basic Financial Statements

Swanton Local School District
Statement of Change in Cash Basis Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2013

<u>Additions:</u>	
Interest	\$2
Gifts and Donations	40,800
Total Additions	<u>40,802</u>
 <u>Deductions:</u>	
	<u>0</u>
 Change in Net Position	 40,802
 Net Position at Beginning of Year	 <u>12,600</u>
Net Position at End of Year	<u><u>\$53,402</u></u>

See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1887 and serves an area of approximately forty-two square miles. It is located in Fulton and Lucas Counties, and includes all of the Village of Swanton and portions of Fulton, Hardin, Spencer, Swancreek, and Swanton Townships. The School District is the 389th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-seven classified employees, eighty-two certified teaching personnel, and six administrative employees who provide services to 1,404 students and other community members. The School District currently operates four instructional buildings and an administration building.

Reporting Entity

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

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

The School District’s reporting entity includes the following:

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges).

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

Fund Financial Statements

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

B. Fund Accounting

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

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

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

Proprietary Fund

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

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

During fiscal year 2013, the School District invested in nonnegotiable certificates of deposit, federal agency securities, U.S. treasury securities, and mutual funds. Investments are reported at cost. Fair value is based on quoted market price or current share price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 was \$39,406, which includes \$8,114 assigned from other School District funds.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

F. Restricted Assets

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

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Position

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

K. Fund Balance

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

L. Operating Receipts and Disbursements

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

M. Interfund Transactions

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Note 3 - Change in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements".

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$64,220.

Note 5 - Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Note 5 - Deposits and Investments (continued)

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

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

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

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

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

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 5 - Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$322,610 of the School District's bank balance of \$5,445,420 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2013, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Notes	\$299,714	8/20/13
Federal Home Loan Bank Notes	209,859	2/18/14
Federal Farm Credit Bank Notes	199,978	11/27/13
Federal Farm Credit Bank Notes	500,000	10/1/15
Federal Home Loan Mortgage Corporation Notes	220,000	12/5/14
Federal Home Loan Mortgage Corporation Notes	300,000	9/4/15
Federal Home Loan Mortgage Corporation Notes	225,000	11/25/16
Federal National Mortgage Association Notes	178,246	7/5/16
U.S. Treasury Note	300,000	2/28/14
Mutual Funds	7,231	48 days average
Total Investments	<u>\$2,440,028</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The federal agency securities and mutual funds carry a rating of Aaa by Moody's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 5 - Deposits and Investments (continued)

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$509,573	20.9%
Federal Farm Credit Bank	699,978	28.7
Federal Home Loan Mortgage Corporation	745,000	30.5
U.S. Treasury Note	300,000	12.3
Federal National Mortgage Association	178,246	7.3

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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 School District receives property taxes from Fulton and Lucas Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 - Property Taxes (continued)

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$153,224,250	82.57%	\$147,379,110	82.29%
Industrial/Commercial	26,521,500	14.29	25,618,110	14.3
Public Utility	5,832,480	3.14	6,105,450	3.41
Total Assessed Value	<u>\$185,578,230</u>	<u>100.00%</u>	<u>\$179,102,670</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$64.15		\$64.13	

Note 7 - Income Taxes

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

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$563,666	\$0	\$0	\$563,666
Depreciable Capital Assets				
Land Improvements	\$952,432	0	0	\$952,432
Buildings and Building Improvements	19,624,140	66,884	(5,675)	19,685,349
Furniture, Fixtures, and Equipment	1,064,011	7,179	0	1,071,190
Vehicles	1,460,735	85,540	(49,608)	1,496,667
Total Depreciable Capital Assets	<u>23,101,318</u>	<u>159,603</u>	<u>(55,283)</u>	<u>23,205,638</u>
Governmental Activities Capital Assets, Net	<u>\$23,664,984</u>	<u>\$159,603</u>	<u>(\$55,283)</u>	<u>\$23,769,304</u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$3,000,000
Total per Year	5,000,000
Automobile Liability	3,000,000
Building and Contents	57,881,908

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

For fiscal year 2013, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The School District offers medical, drug, and dental insurance to all employees through a self-insured program through the General Fund. The School District's third party administrator is Jefferson Health Plan. The School District purchased stop loss insurance for claims in excess of \$500,000 per individual and \$1,000,000 aggregate. The School District's self-insured deductible is \$50,000. Amounts between \$50,000 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

A. State Teachers Retirement System

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

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

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$541,873 and \$7,021 for the fiscal year ended June 30, 2013, \$702,651 and \$6,591 for the fiscal year ended June 30, 2012, and \$697,157 and \$6,414 for the fiscal year ended June 30, 2011. For fiscal year 2013, 84 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$11,415 made by the School District and \$8,153 made by the plan members. In addition, member contributions of \$5,015 were made for fiscal year 2013 for the defined contribution portion of the CP.

Note 10 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$187,089, \$186,294, and \$181,519, respectively. For fiscal year 2013, 55 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2013, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

A. State Teachers Retirement System

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

Note 11 - Postemployment Benefits (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$50,793, \$54,938, and \$55,371, respectively. For fiscal year 2013, 84 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$28,193 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$2,285, \$8,068, and \$21,979, respectively. For fiscal year 2013, 55 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$10,568, \$11,002, and \$11,681, respectively. For fiscal year 2013, 55 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty days for classified employees and two hundred thirty-five days for certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty days for classified employees and fifty-eight and three quarters days for certified employees. In addition, each certified employee will receive an additional \$50 for each year of service to the School District, up to a maximum of thirty years of service.

B. Separation Benefit

For STRS employees, a cash payment of \$15,000 is made to all members who elect to retire under normal circumstances in the first year they are eligible. The employee has the option of participating with a Board approved annuity company for deferring all or a portion of the payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year or take the payment at the time of retirement. To qualify, the employee must have at least fifteen years of service with the School District and must meet all eligibility requirements for retirement under STRS. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ended in August 2013.

For bus drivers and all other SERS employees, a cash payment of \$4,500 is made to all bargaining unit members who elect to retire under normal circumstances and in the first year they are eligible. The employee has the option of participating with a Board approved annuity company for deferring all or a portion of the payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year or take the payment at the time of retirement. To qualify, the employee must have at least fifteen years of service with the School District for bus drivers, or seven years of service for all other SERS employees, must meet all eligibility requirements for retirement under SERS, and must indicate a retirement date before August 1 preceding their year of eligibility. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period for bus drivers, ended in August 2012, and for all other SERS employees, ends in August 2013.

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/13</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
<u>General Obligation Bonds</u>					
FY01 School Improvement Bonds					
Term Bonds 4.9-5.25%	\$1,335,000	\$0	\$1,335,000	\$0	\$0
Capital Appreciation Bonds 4.9-5%	524,992	0	272,460	252,532	252,532
FY01 School Improvement Bonds					
Accretion of Capital Appreciation Bonds	688,571	66,251	377,540	377,282	0
FY05 School Improvement Bonds					
Term Bonds 4-4.25%	1,020,000	0	0	1,020,000	0
Capital Appreciation Bonds 3.83-4.07%	99,998	0	38,986	61,012	33,030
Accretion of Capital Appreciation Bonds	247,267	47,823	106,014	189,076	0
Premium	116,319	0	4,049	112,270	0
FY06 School Improvement Refunding Bonds					
Serial Bonds 3.75-4.2%	6,040,003	0	25,000	6,015,003	25,000
Capital Appreciation Bonds 4.4-4.7%	374,997	0	0	374,997	0
Accretion of Capital Appreciation Bonds	413,295	99,328	0	512,623	0
Premium	348,077	0	1,357	346,720	0
FY13 School Improvement Refunding Bonds					
Serial Bonds 4%	<u>0</u>	<u>1,320,000</u>	<u>0</u>	<u>1,320,000</u>	<u>0</u>
Total General Obligation Bonds	<u>\$11,208,519</u>	<u>\$1,533,402</u>	<u>\$2,160,406</u>	<u>\$10,581,515</u>	<u>\$310,562</u>

FY01 School Improvement Bonds - On June 1, 2001, the School District issued \$15,999,992 in voted general obligation bonds for buildings and other improvements. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$5,360,000, \$10,115,000, and \$524,992, respectively. The bonds were issued for a twenty-six year period, with final maturity during fiscal year 2026. The bonds will be retired through the Bond Retirement debt service fund. During fiscal year 2006, a portion of the term bonds, in the amount of \$8,780,000, was advance refunded. During fiscal year 2013, the remainder of the term bonds, in the amount of \$1,335,000, were refunded.

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 - Long-Term Obligations (continued)

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$1,300,000. For fiscal year 2013, \$66,251 was accreted and \$650,000 was retired for a total bond value of \$629,814 at fiscal year end.

FY05 School Improvement Bonds - On December 1, 2004, the School District issued \$1,999,998 in voted general obligation bonds to retire \$2,000,000 of outstanding bond anticipation notes. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$880,000, \$1,020,000, and \$99,998, respectively. The bonds were issued for a twenty-one year period, with final maturity during fiscal year 2026. The bonds will be retired through the Bond Retirement debt service fund. During fiscal year 2013, the School District set aside resources with a trustee for the retirement of the term bonds when the call option on the bonds is exercised.

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

<u>Year</u>	<u>Amount</u>
2015	\$95,000
2016	90,000
2017	95,000

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

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

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 - Long-Term Obligations (continued)

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature in fiscal years 2013 through 2015. The maturity amount of the bonds is \$435,000. For fiscal year 2013, \$47,823 was accreted and \$145,000 was retired for a total bond value of \$250,088 at fiscal year end.

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2017 and 2018. The maturity amount of the bonds is \$1,410,000. For fiscal year 2013, \$99,328 was accreted for a total bond value of \$887,620 at fiscal year end.

At June 30, 2013, \$8,780,000 of the refunded 2001 School Improvement Bonds was still outstanding.

FY13 School Improvement Refunding Bonds - On May 6, 2013, the School 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 three year period, with final maturity during fiscal year 2016. The bonds will be retired through the Bond Retirement debt service fund.

The refunded bonds were retired March 16, 2013.

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 - Long-Term Obligations (continued)

The School District's overall debt margin was \$8,424,346 with an unvoted debt margin of \$173,091 at June 30, 2013.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013, were as follows:

General Obligation Bonds					
Fiscal Year Ending June 30,	Serial	Term	Capital Appreciation	Interest	Total
2014	\$25,000	\$0	\$285,562	\$847,575	\$1,158,137
2015	670,000	1,020,000	27,982	420,289	2,138,271
2016	700,000	0	0	254,905	954,905
2017	0	0	198,613	747,292	945,905
2018	0	0	176,384	769,521	945,905
2019-2023	3,840,000	0	0	831,719	4,671,719
2024-2026	2,100,003	0	0	109,568	2,209,571
Total	<u>\$7,335,003</u>	<u>\$1,020,000</u>	<u>\$688,541</u>	<u>\$3,980,869</u>	<u>\$13,024,413</u>

Note 14 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Restricted for:				
Athletics and Music	\$0	\$0	\$18,393	\$18,393
Bus Purchase	8,520	0	0	8,520
Debt Retirement	0	1,889,703	0	1,889,703
Drug Education and Prevention	0	0	2,229	2,229
Food Service	0	0	35,874	35,874
Non-Instructional Services	0	0	9,593	9,593
Nonpublic Schools	0	0	22,476	22,476
Permanent Improvements	0	0	189,308	189,308
Regular Instruction	0	0	6,522	6,522
Special Instruction	0	0	8,412	8,412
Total Restricted	<u>8,520</u>	<u>1,889,703</u>	<u>292,807</u>	<u>2,191,030</u>

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Assigned for:				
Educational Activities	\$108,941	\$0	\$0	\$108,941
Projected Budget Shortage	1,943,120	0	0	1,943,120
Unpaid Obligations	64,220	0	0	64,220
Total Assigned	<u>2,116,281</u>	<u>0</u>	<u>0</u>	<u>2,116,281</u>
Unassigned	5,455,303	0	0	5,455,303
Total Fund Balance	<u>\$7,580,104</u>	<u>\$1,889,703</u>	<u>\$292,807</u>	<u>\$9,762,614</u>

Note 15 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2013.

Balance June 30, 2012	\$0
Current Year Set Aside Requirement	224,405
Current Year Offsets	(204,671)
Qualifying Expenditures	(19,734)
Balance June 30, 2013	<u><u>\$0</u></u>

Note 16 - Interfund Transfers

During fiscal year 2013, the General Fund transferred \$22,000 to other governmental funds to subsidize operations.

Note 17 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

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

Note 17 - Jointly Governed Organizations (continued)

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2013, the School District paid \$62,983 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

D. Penta Career Center

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of nine board members appointed from participating School Districts' or Educational Service Centers' elected Board of Education. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg, and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Sandusky; and one representative from each of the most populous counties: Lucas and Wood. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

Note 17 - Jointly Governed Organizations (continued)

E. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among one hundred ninety-two 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 nine superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from the Ohio Schools Council Association, 155 Center Road, Bedford, Ohio 44146.

The School District participates in the Council's prepaid electricity program, Energy for Education Program III. This program allows the School District to purchase electricity at reduced rates if the School District committed to participation through May 2014. The School District makes monthly payments based on estimated usage. Estimates are compared to actual usage and adjustments are made annually.

Note 18 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-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.

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

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

Note 18 - Insurance Pools (continued)

C. Jefferson Health Plan

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

Note 19 - Related Organization

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

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

Swanton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 20 - Contingencies (continued)

B. Litigation

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

SWANTON LOCAL SCHOOL DISTRICT

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2013

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-FY2012	84.010	\$ 10,000	\$ 5,750
Title I-FY2013	84.010	197,014	194,569
Total Title I		<u>207,014</u>	<u>200,319</u>
IDEA Part B Special Education Cluster:			
IDEA Part B Special Education	84.027	293,235	293,235
ECSE Preschool FY2013	84.173	7,989	7,989
Total IDEA Part B Special Education Cluster		<u>301,224</u>	<u>301,224</u>
Title IV-SDFS FY2013	84.186	-	2,809
Title II A-FY2012	84.367	2,184	8,528
Title II A-FY2013	84.367	38,430	37,724
Total Title II A		<u>40,614</u>	<u>46,252</u>
Ohio Resident Educator Program	84.395	700	700
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>549,552</u>	<u>551,304</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed through Ohio Department of Education:			
Cash Assistance			
National School Lunch Program	10.555	216,069	216,069
National School Breakfast Program	10.553	52,567	52,567
Non-Cash Assistance:			
National School Lunch Program - see Note 2	10.555	50,822	50,822
Total Nutrition Cluster		<u>319,458</u>	<u>319,458</u>
NSLP Expansion Grant	10.560	-	399
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>319,458</u>	<u>319,857</u>
TOTAL FEDERAL RECEIPTS AND EXPENDITURES		<u>\$ 869,010</u>	<u>\$ 871,161</u>

See Notes to the Schedule of Federal Award Expenditures

SWANTON LOCAL SCHOOL DISTRICT
Fulton County, Ohio
Notes to the Schedule of Federal Award Expenditures
For the Year Ended June 30, 2013

1. Significant Accounting Policies

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

2. Food Distribution

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

3. Subrecipients

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

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that the subrecipients achieve the award's performance goals. The amounts passed through to subrecipients were \$301,224.

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

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Swanton Local School District, Fulton County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
December 27, 2013

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

Charles E. Harris & Associates, Inc.

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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, 2013. The *Summary of Audit 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 the Major Federal Programs

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, 2013.

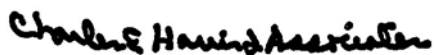
Report on Internal Control Over Compliance

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 each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Charles E. Harris & Associates, Inc.
December 27, 2013

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unmodified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
(d)(1)(vi)	<i>Are there any reportable findings</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	National School Lunch Program # 10.555 National School Breakfast Program # 10.553 IDEA Part B Special Education # 84.027 ECSE Preschool # 84.173
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY
JUNE 30, 2013**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending June 30, 2012, reported no material citations or recommendations.

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

Charles E. Harris & Associates, Inc.

Certified Public Accountants

Independent Auditors' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

- We noted the Board amended its anti-harassment policy at its meeting on May 21, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

Charles E. Harris & Associates, Inc.

Charles E. Harris & Associates, Inc.
December 27, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

SWANTON LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**