

***SWANTON LOCAL SCHOOL DISTRICT***

***FULTON COUNTY***

**Single Audit**

**For the Year Ended June 30, 2020**



SWANTON LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
 SINGLE AUDIT  
 For the Year Ending June 30, 2020

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Swanton Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Swanton Local School District, Fulton County, Ohio, as of June 30, 2020, and the respective changes in modified cash financial position and where applicable cash flows and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

### ***Accounting Basis***

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

### ***Emphasis of Matter***

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. As discussed in note 3.A to the financial statements, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding these matters.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

#### ***Other Information***

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, 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 24, 2020, 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 24, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

The management's discussion and analysis of the Swanton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2020, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the modified cash basis basic financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- The total net cash position of the District decreased \$363,121 or 6.33% from fiscal year 2019's restated amount. The net cash position for governmental activities decreased \$360,112 or 6.28% and the net cash position for business-type activities decreased \$3,009 or 34.89%.
- General cash receipts accounted for \$14,257,522 or 83.11% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,897,744 or 16.89% of total governmental activities cash receipts.
- The District had \$17,503,746 in cash disbursements related to governmental activities; \$2,897,744 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and entitlements not restricted) of \$14,257,522 were not adequate to provide for these programs.
- The District's major funds are the general fund and bond retirement fund. The general fund had cash receipts and other financing sources of \$14,635,582 in 2020. The cash disbursements and other financing uses of the general fund totaled \$15,075,929 in 2020. The general fund's cash balance decreased \$440,347 from fiscal year 2019 to fiscal year 2020.
- The bond retirement fund had cash receipts and other financing sources of \$1,115,414 in fiscal year 2020. The cash disbursements of the bond retirement fund totaled \$1,170,454 in fiscal year 2020. The bond retirement fund's cash balance decreased \$55,040 from fiscal year 2019 to fiscal year 2020.
- Net cash position for the business-type activities decreased by \$3,009 in fiscal year 2020. This decrease in net cash position was primarily due to a decrease in charges for services.

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

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

The statement of net position - modified cash basis and statement of activities - modified cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's modified cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are the most significant funds and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

The statement of net position - modified cash basis and the statement of activities - modified cash basis answer the question, "How did we do financially during 2020?" These statements include *only net cash position* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

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

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

The statement of net position - modified cash basis and the statement of activities - modified cash basis can be found on pages 17 - 19 of this report.

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

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund. The analysis of the District's major governmental funds begins on page 11.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be readily spent to finance various District programs. The governmental fund statements can be found on pages 20 - 22 of this report.

***Proprietary Funds***

The District's only proprietary fund is an enterprise fund. The enterprise fund is used to report the same function that is presented as a business-type activity on the government wide financial statements. The District uses an enterprise fund to account for the community recreation program. The proprietary fund statements can be found on pages 23 - 25.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary is a custodial fund. The basic fiduciary fund financial statements can be found on page 26 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 62 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

**Government-Wide Financial Analysis**

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

The table below provides a summary of the District's net cash position at June 30, 2020 and June 30, 2019. Net position for 2019 has been restated as described in Note 3.

	<b>Net Cash Position</b>					
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2020</u>	<u>Restated 2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Assets</u>						
Equity in pooled cash and investments	\$ 4,456,445	\$ 4,640,159	\$ 5,615	\$ 8,624	\$ 4,462,060	\$ 4,648,783
Cash and cash equivalents with fiscal agent	<u>913,331</u>	<u>1,042,141</u>	<u>-</u>	<u>-</u>	<u>913,331</u>	<u>1,042,141</u>
Total assets	<u>5,369,776</u>	<u>5,682,300</u>	<u>5,615</u>	<u>8,624</u>	<u>5,375,391</u>	<u>5,690,924</u>
<u>Net Cash Position</u>						
Restricted	1,311,501	1,378,340	-	-	1,311,501	1,378,340
Unrestricted	<u>4,058,275</u>	<u>4,351,548</u>	<u>5,615</u>	<u>8,624</u>	<u>4,063,890</u>	<u>4,360,172</u>
Total net cash position	<u>\$ 5,369,776</u>	<u>\$ 5,729,888</u>	<u>\$ 5,615</u>	<u>\$ 8,624</u>	<u>\$ 5,375,391</u>	<u>\$ 5,738,512</u>

The total net cash position of the District decreased \$363,121, which represents a 6.33% decrease from fiscal year 2019. The decrease is due to a large increase in facility acquisition and construction expenses, primarily in the capital project fund.

The balance of government-wide unrestricted net cash position of \$4,058,275 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

The table below shows the changes in net cash position for fiscal year 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.

**Change in Net Cash Position**

	Restated				Total	
	Governmental activities		Business-type activities			
	2020	2019	2020	2019	2020	2019
<b>Cash receipts:</b>						
Program cash receipts:						
Charges for services and sales	\$ 1,152,659	\$ 1,300,778	\$ 34,053	\$ 62,582	\$ 1,186,712	\$ 1,363,360
Operating grants and contributions	<u>1,745,085</u>	<u>1,714,882</u>	<u>-</u>	<u>-</u>	<u>1,745,085</u>	<u>1,714,882</u>
Total program cash receipts	<u>2,897,744</u>	<u>3,015,660</u>	<u>34,053</u>	<u>62,582</u>	<u>2,931,797</u>	<u>3,078,242</u>
General cash receipts:						
Property taxes	6,250,272	5,956,876	-	-	6,250,272	5,956,876
Income taxes	1,973,359	1,863,683	-	-	1,973,359	1,863,683
Unrestricted grants	5,754,670	6,030,288	-	-	5,754,670	6,030,288
Investment earnings	119,693	151,607	-	-	119,693	151,607
Other	<u>159,528</u>	<u>131,393</u>	<u>1,951</u>	<u>316</u>	<u>161,479</u>	<u>131,709</u>
Total general cash receipts	<u>14,257,522</u>	<u>14,133,847</u>	<u>1,951</u>	<u>316</u>	<u>14,259,473</u>	<u>14,134,163</u>
Total cash receipts	<u>17,155,266</u>	<u>17,149,507</u>	<u>36,004</u>	<u>62,898</u>	<u>17,191,270</u>	<u>17,212,405</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

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

	Governmental activities		Business-type activities		Total	
	2020	Restated 2019	2020	2019	2020	2019
<b>Cash disbursements:</b>						
Instruction:						
Regular	\$ 6,051,532	\$ 5,928,755	\$ -	\$ -	\$ 6,051,532	\$ 5,928,755
Special	2,647,546	2,591,279	-	-	2,647,546	2,591,279
Vocational	553	1,209	-	-	553	1,209
Other	97,289	133,507	-	-	97,289	133,507
Support services:						
Pupil	1,053,749	866,939	-	-	1,053,749	866,939
Instructional staff	609,855	495,628	-	-	609,855	495,628
Board of education	57,744	52,538	-	-	57,744	52,538
Administration	1,306,410	1,242,116	-	-	1,306,410	1,242,116
Fiscal	469,363	440,983	-	-	469,363	440,983
Business	7,681	7,982	-	-	7,681	7,982
Operations and maintenance	1,327,047	1,423,252	-	-	1,327,047	1,423,252
Pupil transportation	710,901	706,910	-	-	710,901	706,910
Central	328,646	299,786	-	-	328,646	299,786
Operation of non instructional services:						
Food service operations	496,042	512,770	-	-	496,042	512,770
Other non-instructional services	72,740	71,224	-	-	72,740	71,224
Extracurricular activities	634,222	721,480	-	-	634,222	721,480
Facilities acquisition and construction	476,788	315,617	-	-	476,788	315,617
Debt service:						
Principal retirement	1,020,000	980,000	-	-	1,020,000	980,000
Interest and fiscal charges	135,638	159,086	-	-	135,638	159,086
Recreation	-	-	50,645	73,438	50,645	73,438
Total cash disbursements	<u>17,503,746</u>	<u>16,951,061</u>	<u>50,645</u>	<u>61,731</u>	<u>17,554,391</u>	<u>17,024,499</u>
Transfers	<u>(11,632)</u>	<u>-</u>	<u>11,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net cash position	(360,112)	198,446	(3,009)	(10,540)	(363,121)	187,906
Net cash position at beginning of year (restated)	<u>5,729,888</u>	<u>N/A</u>	<u>8,624</u>	<u>19,164</u>	<u>5,738,512</u>	<u>N/A</u>
Net cash position at end of year	<u>\$ 5,369,776</u>	<u>\$ 5,729,888</u>	<u>\$ 5,615</u>	<u>\$ 8,624</u>	<u>\$ 5,375,391</u>	<u>\$ 5,738,512</u>

**Governmental Activities**

Governmental net cash position decreased by \$360,112 in fiscal year 2020 from fiscal year 2019. The decrease is due to slight increases in disbursements in fiscal year 2020. Total governmental cash disbursements of \$17,503,746 were offset by program cash receipts of \$2,897,744 and general cash receipts of \$14,257,522. Program receipts supported 16.55% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These cash receipt sources represent 81.48% of total governmental cash receipts. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
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The statement of activities - modified cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Cash disbursements:				
Instruction:				
Regular	\$ 6,051,532	\$ 5,447,979	\$ 5,928,755	\$ 5,253,825
Special	2,647,546	1,294,394	2,591,279	1,186,694
Vocational	553	(21,104)	1,209	(20,448)
Other	97,289	97,289	133,507	133,507
Support services:				
Pupil	1,053,749	977,406	866,939	866,939
Instructional staff	609,855	600,719	495,628	485,303
Board of education	57,744	57,744	52,538	52,538
Administration	1,306,410	1,302,659	1,242,116	1,238,887
Fiscal	469,363	449,363	440,983	440,983
Business	7,681	7,681	7,982	7,982
Operations and maintenance	1,327,047	1,312,512	1,423,252	1,422,052
Pupil transportation	710,901	641,136	706,910	652,372
Central	328,646	291,097	299,786	258,436
Operation of non-instructional services:				
Food service operations	496,042	74,564	512,770	(15,489)
Other non-instructional services	72,740	7,062	71,224	7,780
Extracurricular	634,222	433,075	721,480	509,337
Facilities acquisition and construction	476,788	476,788	315,617	315,617
Debt service:				
Principal retirement	1,020,000	1,020,000	980,000	980,000
Interest and fiscal charges	<u>135,638</u>	<u>135,638</u>	<u>159,086</u>	<u>159,086</u>
Total	<u>\$ 17,503,746</u>	<u>\$ 14,606,002</u>	<u>\$ 16,951,061</u>	<u>\$ 13,935,401</u>

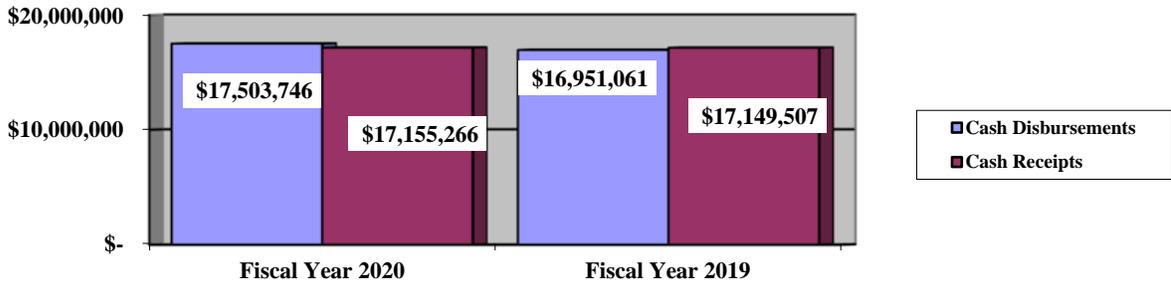
The dependence upon general cash receipts for governmental activities is apparent; with 83.45% of cash disbursements supported through taxes and other general cash receipts during 2020.

**SWANTON LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
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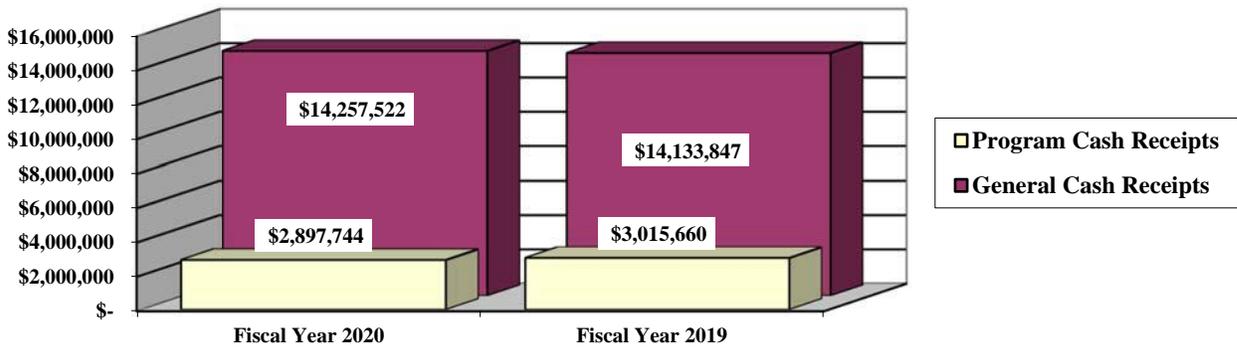
The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2020 and 2019.

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



The graph below presents the District's governmental activities cash receipts for fiscal years 2020 and 2019.

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



**Business-type activities**

Business-type activities include community recreation operations. This program had receipts and transfers in of \$47,636 and disbursements of \$50,645 for fiscal year 2020. The decrease in operating receipts was due to a decline in recreation receipts. The District's business-type activities receive no support from tax revenues.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

***Governmental Funds***

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

The District's governmental funds reported a combined fund cash balance of \$5,369,776, which is \$360,112 less than last year's restated total of \$5,729,888. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2020 and June 30, 2019, for all major and nonmajor governmental funds. The net position at June 30, 2019 has been restated as described in Note 3.A.

	Fund Cash Balance <u>June 30, 2020</u>	Restated Fund Cash Balance <u>June 30, 2019</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 3,688,793	\$ 4,129,140	\$ (440,347)
Bond retirement	1,123,641	1,178,681	(55,040)
Other nonmajor governmental funds	<u>557,342</u>	<u>422,067</u>	<u>135,275</u>
Total	<u>\$ 5,369,776</u>	<u>\$ 5,729,888</u>	<u>\$ (360,112)</u>

***General Fund***

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$14,635,582 in 2020. The cash disbursements and other financing uses of the general fund totaled \$15,075,929 in 2020. The general fund's fund cash balance decreased \$440,347 from 2019 to 2020. The decrease in the general fund's fund cash balance was due to an increase in pupil support services disbursement and instructional staff, as well as an increase in the amount of transfers out.

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

	2020 <u>Amount</u>	2019 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 7,276,114	\$ 6,905,910	5.36 %
Tuition	661,100	720,041	(8.19) %
Earnings on investments	119,397	151,051	(20.96) %
Intergovernmental	6,279,942	6,551,352	(4.14) %
Other	<u>263,016</u>	<u>255,435</u>	2.97 %
Total	<u>\$ 14,599,569</u>	<u>\$ 14,583,789</u>	0.11 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

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

	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements:</u></b>			
Instruction	\$ 8,235,485	\$ 8,024,425	2.63 %
Support services	5,734,506	5,485,523	4.54 %
Operation of non-instructional services	4,959	10,501	(52.78) %
Extracurricular activities	447,554	481,645	(7.08) %
Facilities acquisition and construction	<u>90,782</u>	<u>13,325</u>	581.29 %
Total	<u>\$ 14,513,286</u>	<u>\$ 14,015,419</u>	3.55 %

***Bond Retirement Fund***

The bond retirement fund had cash receipts and other financing sources of \$1,115,414 in fiscal year 2020. The cash disbursements of the bond retirement fund totaled \$1,170,454 in fiscal year 2020. The bond retirement fund's cash balance decreased \$55,040 from fiscal year 2019 to fiscal year 2020.

***Budgeting Highlights - General Fund***

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

For the general fund, original budgeted receipts were \$14,327,000, with final budgeted receipts equally the same amount. Actual receipts and other financing sources for fiscal year 2020 were \$14,513,648. This represents a \$186,648 increase from final budgeted receipts.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$16,457,351 remained unchanged in the final appropriations. The actual budget basis disbursements and other financing uses for fiscal year 2020 totaled \$15,033,979, which was \$1,423,372 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2020 and 2019.

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
General obligation bonds	\$ 4,064,045	\$ 4,913,829
Lease purchase agreement	<u>1,303,717</u>	<u>1,473,517</u>
Total long-term obligations	<u>\$ 5,367,762</u>	<u>\$ 6,387,346</u>

See Note 8 to the basic financial statements for more detail on the District's long-term obligations.

**Current Financial Related Activities**

During the May 2019 election, the voters of the Swanton Local School District approved the renewal of the 0.75% School District Income Tax for an additional five-year term. Overall, the School District Income Tax generates approximately \$1.8 million for the District on a fiscal year basis. All of the levy proceeds are used for the daily operations of the District. This positive vote of the community will keep the District moving in a positive direction for the next several years.

The Swanton Local School District had several years of positive cash flow with their operations. With careful planning and management of resources, the Board of Education has done a good job of improving the operating cash flow for the District. The goal of the District is to keep the disbursements in line with the receipts. Staffing is a major component of the operation of the District. By keeping the staffing of the District at the adequate level to educate the students, the cash flow of the District is better managed. At the end of June 2018, the state funding had an increase of over \$284,000 from fiscal year 2017 to fiscal year 2018. As of June 2019, the State Funding had decreased by \$216,000 and is anticipated to remain flat into the next biennium budget. The District experienced a positive operating cash flow for fiscal year 2019 because total expenditures remained less than receipts.

In the spring of 2018, the District and the Swanton Education Association (SEA) worked to settle a two-year contract that runs through August 31, 2020. Through this contract, SEA members are receiving a 1% increase to the base teacher salary for the two years of the contract with the employee continuing to pay 10% towards the health insurance premium. During the summer of 2020, the District and the SEA agreed to settle a two-year contract that will run through August 31, 2022. With the recent contract, the SEA members will receive a 1% increase to the base teacher salary each year.

In the spring of 2019, the District and the School Support Staff Association (SSSA) representing the school secretaries agreed to a three-year contract that runs through August 31, 2022. This new contract has an increase in the base salary of 2% in each year of the contract. Many other areas of the contract remained the same including the employee's share of the health care premiums at 10%.

In the spring of 2019, the District settled a three-year contract with the OAPSE #660 that represents the bus drivers. This contract calls for a 3% increase in the pay scale for the first year of the contract and then a 2% increase in the pay scale for years two and three in the contract. The contract also keeps the employee share of health care costs at 10% for the three years of the contract. This contract will expire on June 30, 2022.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)

The District provides health insurance benefits to employees through a self-insured health plan through Jefferson Health Plan. The Jefferson Health Plan consortium tracks claims and contributions for the District and purchases stop-loss insurance for claims greater than \$1 million per individual. There is also a large claim reimbursement pool for claims between \$75,000 and \$1,000,000 to protect the District from large annual fluctuations in claims. There has been a significant balance in the Jefferson Health Plan consortium account but that has been reduced by an increase in prescription claims over the past two years. With the recent increase in prescription claim activity, the overall medical/prescription accrual rate will have a ten percent increase starting July 1, 2020. The dental accrual rate will have a 4.95% increase starting July 1, 2020. Another action taken by the Swanton Board of Education to help counteract the higher prescription claims was to change the out of pocket limits for prescription coverage. The out of pocket prescription limit increased from \$2,000 per person to \$4,000 per person, and increased from \$4,000 per family to \$8,000 per family. This change will be effective on September 1, 2020 when the plan deductible and out of pocket limits reset for the plan year.

The Swanton Local School District started a building renovation project in December 2016 that included additional classrooms at Swanton Elementary and Swanton Middle Schools, a lunchroom addition at Swanton Middle School, the demolition of the Cherry Street Property, renovation at Swanton High School to add restrooms to accommodate preschool classrooms, renovation of the Fisher Gym to make it a stand-alone facility, updates to Swanton Elementary School and Swanton Middle School to include air conditioning and upgrade the entrance vestibules at each of the three remaining educational facilities. The additions to each building started as soon as the weather allowed in the spring of 2017. The inside work to upgrade the systems and install the air conditioning systems began once school was done for the summer. When classes started in September 2017, the new additions were available and used by students and staff for the 2017/2018 school year. There were several smaller HVAC projects completed in fiscal year 2019 to finish up the overall renovations and spend down the project funds.

This project was financed through \$1.8 million certificate of participation (COP) financing plus \$5,395,000 from the investments of the District. The District's cash balance on hand reduced by completing this project. The overall plan is that the cost of operating three buildings will be less than operating four buildings. The savings from this operation reduction will help pay for the debt service on the COP's financing. The District's Five-Year Forecast includes an operating transfer out to the debt service fund for the COP's financing payments. With the addition of air conditioning at two of the buildings, the utilities costs may not decrease as much as first projected, but there will be savings. This information has been included in the Five-Year Forecast to show the fiscal solvency of the District will be stable with the project.

In July 2019, the District opened bids for some paving and drainage projects at various locations. Additional parking was completed at the Swanton Elementary School and the Swanton Middle School to help when there are larger events happening at these locations. The field behind the Swanton Middle School had been very wet and damp so it couldn't be used for physical education classes or for the Swanton Recreation events. The asphalt from an old playground that was not usable any longer was removed at Swanton Middle School with this project. The District invests a lot of funding for the transportation of students every school day. In the spring of 2020, the District approved a change order to pave the parking lot for the school buses behind the current bus garage. All of these projects were paid using funds collected through the permanent improvement fund.

With the April 2020 update to the District's Five-Year Forecast, additional property taxes were received from the Nexus Pipeline installed within the Swanton Local School District territory. The property taxes for the 1st half payment in Spring 2020 was paid at a lower amount due to the valuation appeal filed with the Ohio Department of Taxation. The District is collected \$291,730 into the General Fund and then transferred that same amount into the Permanent Improvement Fund for future projects. The District's Five-Year Forecast showed the increase in Line 1.020 Public Utility for the taxes paid by Nexus Pipeline and an increase in Line 5.01 Operating Transfers Out. There was also an increase in taxes collected in the Permanent Improvement Fund and the Debt Service Fund for this same taxpayer.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

In the May 2020 update to the District's Five-Year Forecast, there was a four percent reduction in State Funding for FY20 and a ten percent reduction for FY21 due to the economy shut down in March & April 2020 related to the Covid-19 virus. The Forecast also included an assumption that School District Income Tax will drop by 5% during FY21. Based on current information, public schools will be re-opening in the fall of 2020 after the state mandated school closure in March 2020. The Forecast includes expenses for returning to full time school. The District took pro-active action to reduce the teaching staff by two positions and by one classified staff for the 2020/2021 school year through attrition. At the beginning of fiscal year 2021, the state funding is being held at the same level as fiscal year 2020 ended.

The District was successful in asking voters to renew the \$825,000 emergency levy on the May 2017 ballot. This was accomplished due to the hard work of an outstanding community driven levy committee. The \$825,000 Emergency Levy is a critical piece of local funding for the District. The next renewal of the Emergency Levy will be placed before the voters during calendar year 2022.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 4,456,445	\$ 5,615	\$ 4,462,060
Cash and cash equivalents with fiscal agent . . .	913,331	-	913,331
Total assets . . . . .	<u>5,369,776</u>	<u>5,615</u>	<u>5,375,391</u>
<b>Net cash position:</b>			
Restricted for:			
Debt service . . . . .	1,123,641	-	1,123,641
State funded programs . . . . .	64,815	-	64,815
Federally funded programs . . . . .	4,907	-	4,907
Student activities . . . . .	53,405	-	53,405
Other purposes . . . . .	64,733	-	64,733
Unrestricted . . . . .	<u>4,058,275</u>	<u>5,615</u>	<u>4,063,890</u>
Total net cash position . . . . .	<u>\$ 5,369,776</u>	<u>\$ 5,615</u>	<u>\$ 5,375,391</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 6,051,532	\$ 495,568	\$ 107,985
Special . . . . .	2,647,546	240,036	1,113,116
Vocational . . . . .	553	-	21,657
Other . . . . .	97,289	-	-
Support services:			
Pupil . . . . .	1,053,749	2,382	73,961
Instructional staff . . . . .	609,855	5,145	3,991
Board of education . . . . .	57,744	-	-
Administration . . . . .	1,306,410	-	3,751
Fiscal . . . . .	469,363	-	20,000
Business . . . . .	7,681	-	-
Operations and maintenance . . . . .	1,327,047	4,467	10,068
Pupil transportation . . . . .	710,901	15,129	54,636
Central . . . . .	328,646	27,772	9,777
Operation of non-instructional services:			
Food service operations . . . . .	496,042	183,859	237,619
Other non-instructional services . . . . .	72,740	-	65,678
Extracurricular activities . . . . .	634,222	178,301	22,846
Facilities acquisition and construction . . . . .	476,788	-	-
Debt service:			
Principal retirement . . . . .	1,020,000	-	-
Interest and fiscal charges . . . . .	135,638	-	-
Total governmental activities . . . . .	<u>17,503,746</u>	<u>1,152,659</u>	<u>1,745,085</u>
<b>Business-type activities:</b>			
Recreation . . . . .	<u>50,645</u>	<u>34,053</u>	<u>-</u>
Totals . . . . .	<u>\$ 17,554,391</u>	<u>\$ 1,186,712</u>	<u>\$ 1,745,085</u>

**General cash receipts:**

Property taxes levied for:

- General purposes . . . . .
- Debt service . . . . .
- Permanent improvements . . . . .

Income taxes levied for:

- General purposes . . . . .

Grants and entitlements not restricted  
to specific programs . . . . .

Investment earnings . . . . .

Miscellaneous . . . . .

Total general cash receipts . . . . .

Transfers . . . . .

Change in net cash position . . . . .

**Net cash position at beginning of year (restated) . . . . .**

**Net cash position at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (5,447,979)	\$ -	\$ (5,447,979)
(1,294,394)	-	(1,294,394)
21,104	-	21,104
(97,289)	-	(97,289)
(977,406)	-	(977,406)
(600,719)	-	(600,719)
(57,744)	-	(57,744)
(1,302,659)	-	(1,302,659)
(449,363)	-	(449,363)
(7,681)	-	(7,681)
(1,312,512)	-	(1,312,512)
(641,136)	-	(641,136)
(291,097)	-	(291,097)
(74,564)	-	(74,564)
(7,062)	-	(7,062)
(433,075)	-	(433,075)
(476,788)	-	(476,788)
(1,020,000)	-	(1,020,000)
(135,638)	-	(135,638)
<u>(14,606,002)</u>	<u>-</u>	<u>(14,606,002)</u>
-	(16,592)	(16,592)
<u>(14,606,002)</u>	<u>(16,592)</u>	<u>(14,622,594)</u>
5,243,680	-	5,243,680
803,544	-	803,544
203,048	-	203,048
1,973,359	-	1,973,359
5,754,670	-	5,754,670
119,693	-	119,693
159,528	1,951	161,479
<u>14,257,522</u>	<u>1,951</u>	<u>14,259,473</u>
(11,632)	11,632	-
(360,112)	(3,009)	(363,121)
<u>5,729,888</u>	<u>8,624</u>	<u>5,738,512</u>
<u>\$ 5,369,776</u>	<u>\$ 5,615</u>	<u>\$ 5,375,391</u>

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

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,775,462	\$ 1,123,641	\$ 557,342	\$ 4,456,445
Cash and cash equivalents with fiscal agent . . . . .	913,331	-	-	913,331
Total assets . . . . .	<u>\$ 3,688,793</u>	<u>\$ 1,123,641</u>	<u>\$ 557,342</u>	<u>\$ 5,369,776</u>
<b>Fund cash balances:</b>				
Restricted:				
Debt service . . . . .	\$ -	\$ 1,123,641	\$ -	\$ 1,123,641
Food service operations . . . . .	-	-	17,171	17,171
Non-public schools . . . . .	-	-	26,478	26,478
Special education . . . . .	-	-	517	517
Targeted academic assistance . . . . .	-	-	3,874	3,874
Extracurricular activities . . . . .	-	-	72,438	72,438
Other purposes . . . . .	-	-	67,382	67,382
Committed:				
Capital improvements . . . . .	-	-	369,482	369,482
Assigned:				
Student instruction . . . . .	6,473	-	-	6,473
Student and staff support . . . . .	207,189	-	-	207,189
Facilities acquisition and construction . . . . .	15,000	-	-	15,000
Subsequent year's appropriations . . . . .	1,111,148	-	-	1,111,148
Other purposes . . . . .	92,203	-	-	92,203
Unassigned . . . . .	<u>2,256,780</u>	<u>-</u>	<u>-</u>	<u>2,256,780</u>
Total fund cash balances . . . . .	<u>\$ 3,688,793</u>	<u>\$ 1,123,641</u>	<u>\$ 557,342</u>	<u>\$ 5,369,776</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH  
BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 5,302,755	\$ 756,284	\$ 191,233	\$ 6,250,272
Income taxes . . . . .	1,973,359	-	-	1,973,359
Tuition . . . . .	661,100	-	-	661,100
Transportation fees . . . . .	6,499	-	6,036	12,535
Earnings on investments . . . . .	119,397	-	296	119,693
Charges for services . . . . .	-	-	172,496	172,496
Extracurricular . . . . .	11,687	-	178,301	189,988
Classroom materials and fees . . . . .	57,499	-	-	57,499
Other local revenues . . . . .	187,331	-	79,284	266,615
Intergovernmental - state . . . . .	6,179,510	153,685	229,385	6,562,580
Intergovernmental - federal . . . . .	100,432	-	788,697	889,129
Total cash receipts . . . . .	<u>14,599,569</u>	<u>909,969</u>	<u>1,645,728</u>	<u>17,155,266</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	5,948,051	-	103,481	6,051,532
Special . . . . .	2,189,592	-	457,954	2,647,546
Vocational . . . . .	553	-	-	553
Other . . . . .	97,289	-	-	97,289
Support services:				
Pupil . . . . .	980,734	-	73,015	1,053,749
Instructional staff . . . . .	605,871	-	3,984	609,855
Board of education . . . . .	57,744	-	-	57,744
Administration . . . . .	1,302,734	-	3,676	1,306,410
Fiscal . . . . .	450,790	14,816	3,757	469,363
Business . . . . .	7,681	-	-	7,681
Operations and maintenance . . . . .	1,318,507	-	8,540	1,327,047
Pupil transportation . . . . .	691,185	-	19,716	710,901
Central . . . . .	319,260	-	9,386	328,646
Operation of non-instructional services				
Food service operations . . . . .	-	-	496,042	496,042
Other non-instructional services . . . . .	4,959	-	67,781	72,740
Extracurricular activities . . . . .	447,554	-	186,668	634,222
Facilities acquisition and construction . . . . .	90,782	-	386,006	476,788
Debt service:				
Principal retirement . . . . .	-	1,020,000	-	1,020,000
Interest and fiscal charges . . . . .	-	135,638	-	135,638
Total cash disbursements . . . . .	<u>14,513,286</u>	<u>1,170,454</u>	<u>1,820,006</u>	<u>17,503,746</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>86,283</u>	<u>(260,485)</u>	<u>(174,278)</u>	<u>(348,480)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	205,445	341,730	547,175
Transfers (out) . . . . .	(558,807)	-	-	(558,807)
Advances in . . . . .	36,013	-	3,836	39,849
Advances (out) . . . . .	(3,836)	-	(36,013)	(39,849)
Total other financing sources (uses) . . . . .	<u>(526,630)</u>	<u>205,445</u>	<u>309,553</u>	<u>(11,632)</u>
Net change in fund cash balances . . . . .	(440,347)	(55,040)	135,275	(360,112)
<b>Fund cash balances at beginning of year (restated)</b>	4,129,140	1,178,681	422,067	5,729,888
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 3,688,793</u>	<u>\$ 1,123,641</u>	<u>\$ 557,342</u>	<u>\$ 5,369,776</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,904,100	\$ 4,904,100	\$ 5,302,755	\$ 398,655
Income taxes . . . . .	1,800,000	1,800,000	1,973,359	173,359
Tuition . . . . .	801,000	801,000	661,100	(139,900)
Transportation fees . . . . .	8,000	8,000	6,499	(1,501)
Earnings on investments . . . . .	91,000	91,000	92,122	1,122
Classroom materials and fees . . . . .	41,500	41,500	37,123	(4,377)
Rental income . . . . .	2,500	2,500	600	(1,900)
Contributions and donations . . . . .	10,000	10,000	12,148	2,148
Other local revenues . . . . .	112,000	112,000	111,987	(13)
Intergovernmental - state . . . . .	6,556,900	6,556,900	6,179,510	(377,390)
Intergovernmental - federal . . . . .	-	-	100,432	100,432
Total budgetary basis receipts . . . . .	<u>14,327,000</u>	<u>14,327,000</u>	<u>14,477,635</u>	<u>150,635</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	6,065,610	6,149,323	5,843,362	305,961
Special . . . . .	2,260,327	2,260,454	2,176,895	83,559
Vocational . . . . .	2,500	2,500	553	1,947
Other . . . . .	25,967	29,067	96,556	(67,489)
Support services:				
Pupil . . . . .	966,780	966,780	973,916	(7,136)
Instructional staff . . . . .	618,318	618,318	601,914	16,404
Board of education . . . . .	166,850	166,850	67,309	99,541
Administration . . . . .	1,527,312	1,518,084	1,287,894	230,190
Fiscal . . . . .	1,416,675	991,101	447,937	543,164
Business . . . . .	15,000	15,000	7,681	7,319
Operations and maintenance . . . . .	1,494,107	1,534,107	1,412,311	121,796
Pupil transportation . . . . .	796,265	796,265	686,556	109,709
Central . . . . .	276,055	276,055	309,573	(33,518)
Other non-instructional services . . . . .	950	950	3,028	(2,078)
Extracurricular activities . . . . .	504,190	508,690	450,069	58,621
Facilities acquisition and construction . . . . .	60,000	60,000	105,782	(45,782)
Total budgetary basis disbursements . . . . .	<u>16,196,906</u>	<u>15,893,544</u>	<u>14,471,336</u>	<u>1,422,208</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>(1,869,906)</u>	<u>(1,566,544)</u>	<u>6,299</u>	<u>1,572,843</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(255,445)	(558,807)	(558,807)	-
Advances in . . . . .	-	-	36,013	36,013
Advances (out) . . . . .	(5,000)	(5,000)	(3,836)	1,164
Total other financing sources (uses) . . . . .	<u>(260,445)</u>	<u>(563,807)</u>	<u>(526,630)</u>	<u>37,177</u>
Net change in budgetary fund balance . . . . .	(2,130,351)	(2,130,351)	(520,331)	1,610,020
<b>Fund balance at beginning of year . . . . .</b>	<b>2,914,013</b>	<b>2,914,013</b>	<b>2,914,013</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>50,847</b>	<b>50,847</b>	<b>50,847</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><b>\$ 834,509</b></u>	<u><b>\$ 834,509</b></u>	<u><b>\$ 2,444,529</b></u>	<u><b>\$ 1,610,020</b></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
JUNE 30, 2020

	<u>Recreation</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 5,615
<b>Net cash position:</b>	
Unrestricted . . . . .	\$ 5,615

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF OPERATING RECEIPTS, DISBURSEMENTS AND  
CHANGES IN NET CASH POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Recreation</b>
<b>Operating receipts:</b>	
Charges for services . . . . .	\$ 34,053
Other . . . . .	1,951
Total operating receipts . . . . .	36,004
<b>Operating disbursements:</b>	
Personal services . . . . .	16,603
Fringe benefits . . . . .	6,889
Purchased services . . . . .	3,185
Materials and supplies . . . . .	18,463
Other . . . . .	5,505
Total operating disbursements . . . . .	50,645
Change in net cash position before transfers . . . . .	(14,641)
Transfers in . . . . .	11,632
Change in net cash position . . . . .	(3,009)
<b>Net cash position at beginning of year . . . . .</b>	<b>8,624</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 5,615</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Recreation</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers . . . . .	\$ 34,053
Cash received from other operations . . . . .	1,951
Cash payments for salaries . . . . .	(16,603)
Cash payments for fringe benefits . . . . .	(6,889)
Cash payments for purchased services . . . . .	(3,185)
Cash payments for materials and supplies . . . . .	(18,463)
Cash payments for other expenses . . . . .	(5,505)
Net cash used in operating activities. . . . .	(14,641)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from transfers in . . . . .	11,632
Net decrease in cash and cash cash equivalents . . . . .	(3,009)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>8,624</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 5,615</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<b>Custodial</b>
<b>Additions:</b>	
Extracurricular . . . . .	\$ 1,795
<b>Deductions:</b>	
Extracurricular activities . . . . .	1,795
Change in net position . . . . .	-
<b>Net position at beginning of year (restated) . . . . .</b>	-
<b>Net position at end of year . . . . .</b>	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

The District was established in 1887 and serves an area of approximately 42 square miles. It is located in Fulton and Lucas Counties, and includes all of the Village of Swanton and portions of Fulton, Hardin, Spencer, Swancreek, and Swanton Townships. It is staffed by 46 classified employees, 88 certified teaching personnel, and 7 administrative employees who provide services to approximately 1,257 students and other community members. The District currently operates 3 instructional buildings and an administration building.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. Total disbursements made by the District to NWOCA during this fiscal year were \$66,638. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Penta Career Center

The Penta Career Center (the "Center") is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. The District did not make any payments to the Center during fiscal year 2020. Financial information can be obtained from the Penta County Career Center, Carrie Herringshaw, who serves as Treasurer, at 9301 Buck Road, Perrysburg, Ohio 43551.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a 25 county area in Northwest Ohio. The Board of Directors consists of superintendents from 2 educational service centers, 2 exempted village school districts, 5 local school districts, and 5 city school districts, as well as representatives from 2 private or parochial schools and 3 institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio 45822.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among 249 school districts, educational service centers, joint vocational districts, and developmental disabilities boards which was formed to purchase quality products and services at the lowest possible cost to participating school districts. The Council is governed by a board consisting of 9 superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the board. Financial information can be obtained from the Ohio Schools Council Association, 155 Center Road, Bedford, Ohio 44146.

*PUBLIC ENTITY RISK POOLS*

Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a 15-member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The 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.

Northern Buckeye Education Council Workers' Compensation Group Rating Plan

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Jefferson Health Plan

The District participates in the Jefferson Health Plan (Plan), a risk-sharing claims servicing, and insurance purchasing pool comprised of 75 members, including 2 insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a 9-member board of directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$1,000,000, and all claims between the deductible limit and the \$1,000,000 are paid from the internal shared risk pool. The internal pool is not owned by the Plan's participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$1,000,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third-party administrative services.

*RELATED ORGANIZATION*

Swanton Public Library

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

**B. Basis of Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*PROPRIETARY FUNDS*

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The district has no trust funds. The custodial funds account for monies held on behalf of others that do not meet the definition of a trust fund. The District's custodial fund accounts for athletic tournament monies collected and distributed on behalf of the Ohio High School Athletics Association.

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

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

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

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

**E. Budgets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

**F. Cash and Investments**

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

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

During fiscal year 2020, investments were limited to federal agency securities, negotiable certificates of deposit, commercial paper, and a U.S. Government money market fund. Investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$119,397, which includes \$47,532 assigned from other funds.

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

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

**G. Inventory and Prepaid Items**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**H. Capital Assets**

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

**I. Unpaid Vacation and Sick Leave**

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

**J. Long-Term Obligations**

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

**K. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

**L. Fund Cash Balance**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipts and appropriations in the subsequent year's appropriated budget.

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

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

**M. Net Cash Position**

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

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

**N. Parochial School**

Within the District boundaries, St. Richard Catholic School is operated by the Toledo Catholic Diocese. Current state legislation provides funding to the parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and disbursement of these State monies by the District are reflected as special revenue funds for financial reporting purposes.

**O. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds are eliminated on the statement of net position - modified cash basis and the statement of activities - modified cash basis.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**P. Operating Receipts and Disbursements**

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

**Q. Pensions/Other Postemployment Benefits (OPEB)**

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

**R. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position**

For fiscal year 2020, the District has implemented GASB Statement No. 84 "*Fiduciary Activities*" and GASB Statement No. 90 "*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

A fund cash balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019, fund cash balances have been restated as follows:

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund cash balance				
previously reported	\$ 4,129,140	\$ 1,178,681	\$ 374,479	\$ 5,682,300
GASB Statement No. 84	-	-	47,588	47,588
Restated fund cash balance at June 30, 2019	\$ 4,129,140	\$ 1,178,681	\$ 422,067	\$ 5,729,888

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities at June 30, 2019 have been restated as follows:

	Governmental Activities
Net cash position	
as previously reported	\$ 5,682,300
GASB Statement No. 84	47,588
Restated net cash position at June 30, 2019	\$ 5,729,888

Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds and private purpose trust funds. At June 30, 2019, agency funds reported assets and net cash position of \$14,659. Private purpose funds reported assets and net cash position of \$32,929.

**B. Compliance**

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two-hundred-seventy days; and,
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one-hundred-eighty days.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

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

**B. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2020 was \$913,331. This amount is not included in the "deposits" or "investments" reported below.

**C. Deposits with Financial Institutions**

At June 30, 2020, the carrying amount of all District deposits was \$3,400,997 and the bank balance of all District deposits was \$3,663,212. Of the bank balance, \$3,559,201 was covered by the FDIC and \$104,011 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments**

As of June 30, 2020, the District had the following investments and maturities:

Investment type	Measurement Value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CDs	\$ 745,802	\$ -	\$ 248,401	\$ 497,401	\$ -	\$ -
FFCB	204,965	-	-	-	99,830	105,135
Commercial Paper	99,990	99,990	-	-	-	-
U.S. Government Money Market Fund	5,306	5,306	-	-	-	-
Total	<u>\$ 1,056,063</u>	<u>\$ 105,296</u>	<u>\$ 248,401</u>	<u>\$ 497,401</u>	<u>\$ 99,830</u>	<u>\$ 105,135</u>

The weighted average maturity of investments is 1.38 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in negotiable certificates of deposit, commercial paper, and federal agency securities are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

*Credit Risk:* The U.S. Government money market fund carries a rating of AAAM by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper were rated A-1/A-1+ and P-1 by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in negotiable certificates of deposit were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
Negotiable CDs	\$ 745,802	70.62
FFCB	204,965	19.41
Commercial Paper	99,990	9.47
U.S. Government Money Market Fund	<u>5,306</u>	<u>0.50</u>
Total	<u>\$ 1,056,063</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position - modified cash basis as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,400,997
Cash with fiscal agent	913,331
Investments	1,056,063
Cash on hand	<u>5,000</u>
Total	<u>\$ 5,375,391</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,369,776
Business-type activities	<u>5,615</u>
Total	<u>\$ 5,375,391</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

During fiscal year 2020, the general fund transferred \$205,445 to the bond retirement fund for the repayment of debt.

During fiscal year 2020, the general fund transferred \$341,730 to the nonmajor governmental funds to support permanent improvements and food service operations.

During fiscal year 2020, the general fund transferred \$11,632 to the recreation fund to support recreation programs.

During fiscal year 2020, the general fund advanced \$3,836 to the nonmajor governmental funds, which is expected to be repaid within one year. The nonmajor governmental funds advanced \$36,013 to the general fund to repay prior year advances.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Fulton and Lucas Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 199,401,130	96.47	\$ 203,006,800	89.11
Public utility personal	<u>7,301,830</u>	<u>3.53</u>	<u>24,816,640</u>	<u>10.89</u>
Total	<u>\$ 206,702,960</u>	<u>100.00</u>	<u>\$ 227,823,440</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 60.30		\$ 59.93	

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - INCOME TAXES**

The District levies a voted tax of 0.75% for general operations on the income of residents and of estates. The tax was effective on January 1, 2015, for a 5 year period. In May 2019, this was renewed for an additional 5 years through December 31, 2024. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2020, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2020</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
FY16 refunding bonds					
Current interest bonds	4,915,000	-	(850,000)	4,065,000	855,000
Discount	(1,171)	-	216	(955)	-
<u>Other long-term obligations:</u>					
Lease purchase agreement	1,475,000	-	(170,000)	1,305,000	175,000
Discount on lease purchase	(1,483)	-	200	(1,283)	-
Total long-term obligations governmental activities	<u>\$ 6,387,346</u>	<u>\$ -</u>	<u>\$ (1,019,584)</u>	<u>\$ 5,367,762</u>	<u>\$ 1,030,000</u>

***FY06 school improvement refunding bonds:*** On March 28, 2006, the District issued bonds, in the amount of \$8,780,000 to partially refund bonds previously issued in fiscal year 2001 for buildings and other improvements. The refunding bond issue included serial and capital appreciation bonds, in the original amount of \$8,405,000 and \$374,997, respectively. The bonds were issued for a 19 year period, with final maturity during fiscal year 2026. The bonds will be retired through the bond retirement fund.

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

On September 9, 2015, the District issued \$5,940,000 (FY16 school improvement refunding bonds) to advance refund the callable portion of the bonds.

***FY16 school improvement refunding bonds:*** On September 9, 2015, the District issued general obligation bonds to advance refund the callable portion of the FY06 school improvement refunding bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the long-term obligations. At June 30, 2020, \$4,485,000 of the refunded 2006 school improvement bonds was still outstanding. The proceeds of the refunding bonds, and a District contribution of \$191,393, were placed in an irrevocable trust to provide all future debt service payments on the old bonds.

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2024. The bonds will be retired through the bond retirement fund.

*Lease purchase agreement:* On November 29, 2016, the District entered into a lease purchase agreement with Huntington National Bank for \$1,800,000 to finance various District improvements.

The lease purchase agreement bears an interest rate of 2.55%. Interest payments on the lease purchase agreement are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2026. The lease purchase agreement will be retired through the bond retirement fund.

The following is a schedule of future debt service requirements for the District's long-term obligations:

Fiscal Year Ended	General Obligation Bonds		
	Current Interest Bonds		
	Principal	Interest	Total
2021	855,000	81,989	936,989
2022	870,000	62,547	932,547
2023	890,000	42,714	932,714
2024	910,000	22,427	932,427
2025	540,000	6,086	546,086
Total	<u>\$ 4,065,000</u>	<u>\$ 215,763</u>	<u>\$ 4,280,763</u>

Fiscal Year Ended	Lease Purchase Agreement		
	Principal	Interest	Total
2021	\$ 175,000	\$ 31,046	\$ 206,046
2022	180,000	26,520	206,520
2023	180,000	21,930	201,930
2024	185,000	17,277	202,277
2025	190,000	12,495	202,495
2026 - 2027	395,000	10,136	405,136
Total	<u>\$ 1,305,000</u>	<u>\$ 119,404</u>	<u>\$ 1,424,404</u>

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$17,609,325 and an unvoted debt margin of \$227,823.

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the District contracted for the following insurance coverage:

General liability	
Per occurrence	\$ 3,000,000
Total per year	5,000,000
Automobile liability	3,000,000
Building and contents	57,515,621

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 2020, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - RISK MANAGEMENT - (Continued)**

The District offers medical, drug, and dental insurance to all employees through a self-insured program through the general fund. The District obtains coverage through a consortium call The Jefferson Health Plan. The Jefferson Health Plan purchases stop-loss insurance for claims in excess of \$1,000,000 per individual. The District's self-funded deductible is \$75,000 per individual. The consortium operates and funds a large claim reimbursement pool for the District's claims between \$75,000 and \$1,000,000. In addition, to protect the District's self-insured claims from large annual fluctuations, the consortium has an aggregate claim reimbursement pool when annual net claims exceed 12.5% of the previous two year average.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$253,747 for fiscal year 2020.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$826,894 for fiscal year 2020.

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Net Pension Liability***

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.05810120%	0.04978648%	
Proportion of the net pension liability current measurement date	<u>0.05658960%</u>	<u>0.04928393%</u>	
Change in proportionate share	<u>-0.00151160%</u>	<u>-0.00050255%</u>	
Proportionate share of the net pension liability	\$ 3,385,855	\$ 10,898,845	\$ 14,284,700

***Actuarial Assumptions - SERS***

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 4,744,793	\$ 3,385,855	\$ 2,246,215

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 15,927,448	\$ 10,898,845	\$ 6,641,875

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/Asset*

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

*Plan Description - School Employees Retirement System (SERS)*

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$34,968.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$34,968 for fiscal year 2020.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability/Asset***

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.05911370%	0.04978648%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.05791220%</u>	<u>0.04928393%</u>	
Change in proportionate share	<u>-0.00120150%</u>	<u>-0.00050255%</u>	
Proportionate share of the net OPEB liability	\$ 1,456,370	\$ -	\$ 1,456,370
Proportionate share of the net OPEB asset	\$ -	\$ (816,260)	\$ (816,260)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,767,757	\$ 1,456,370	\$ 1,208,781

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,166,847	\$ 1,456,370	\$ 1,840,496

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

***Assumption Changes Since the Prior Measurement Date*** - There were no changes in assumptions since the prior measurement date of June 30, 2018.

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Benefit Term Changes Since the Prior Measurement Date** - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 696,515	\$ 816,260	\$ 916,937
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 925,601	\$ 816,260	\$ 682,343

**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. 12-month classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Teachers and non-12 month classified employees do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for both classified employees and certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of 60 days for classified employees and 58.75 days for certified employees. In addition, each certified employee will receive an additional \$50 for each year of service to the District, up to a maximum of 30 years of service.

**B. Separation Benefit**

For bus drivers and all other SERS employees, a cash payment of \$5,000 is made to all bargaining unit members who elect to retire under normal circumstances and in the first year they are eligible. The employee has the option of participating with a Board approved annuity company for deferring all or a portion of the payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year or take the payment at the time of retirement. To qualify, the employee must have at least 15 years of service with the District for bus drivers, or 7 years of service for all other SERS employees, must meet all eligibility requirements for retirement under SERS, and must indicate a retirement date before August 1 preceding their year of eligibility. Continuation of the program is reviewed with each negotiated agreement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (520,331)
Funds budgeted elsewhere **	29,585
Net adjustment for fair market value	27,275
Adjustment for cash with fiscal agent	(128,810)
Adjustment for encumbrances	151,934
Modified cash basis	\$ (440,347)

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

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 14 – CONTINGENCIES – (Continued)**

**C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The ODE adjustment in October 2020 resulted in an adjustment of \$10,926, payable to ODE.

**NOTE 15 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 152,490
Nonmajor governmental	<u>388,629</u>
Total	<u>\$ 541,119</u>

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	232,199
Current year offsets	<u>(232,199)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**NOTE 17 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Prepared by Management)**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through Ohio Department of Education</b>				
TITLE I FY19	84.010	N/A		\$ 26,197
TITLE I FY20	84.010	N/A		164,016
Total Title I				<u>190,213</u>
IDEA Part B Special Education Cluster:				
IDEA Part B Special Education FY19	84.027	N/A		276,566
Early Lit Grant FY19	84.027	N/A		4,299
Early Lit Grant FY20	84.027	N/A		19,422
ECSE Preschool FY20	84.173	N/A	\$ 7,346	<u>7,346</u>
Total IDEA Part B Special Education Cluster			<u>7,346</u>	<u>307,633</u>
TITLE II-A FY20	84.367	N/A		37,932
Total Title II-A				<u>37,932</u>
TITLE IV-A FY19	84.424	N/A		1,709
TITLE IV-A FY20	84.424	N/A		13,434
Total Title IV-A				<u>15,143</u>
State Personnel Development	84.323	N/A		125
Total State Personnel Development				<u>125</u>
Total U.S. Department of Education			<b>7,346</b>	<b>551,046</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed Through Ohio Department of Education</b>				
Child Nutrition Cluster:				
Cash Assistance				
National School Lunch Program	10.555	N/A		137,271
National School Lunch Program-COVID 19	10.555	N/A		11,364
National School Breakfast Program	10.553	N/A		39,305
National School Breakfast Program-COVID 19	10.553	N/A		5,911
Summer Lunch Program-COVID 19	10.559	N/A		25,432
Summer Breakfast Program	10.559	N/A		2,344
Summer Breakfast Program-COVID 19	10.559	N/A		11,211
<b>Direct Program</b>				
Non-Cash Assistance				
National School Lunch Program - See Note F	10.555	N/A		<u>43,678</u>
Total Child Nutrition Cluster				<u>276,516</u>
Total U.S. Department of Agriculture				<u>276,516</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 7,346</b>	<b>\$ 827,562</b>

*The accompanying notes are an integral part of this schedule.*

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020  
(Prepared by Management)**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Swanton Local School District (the District's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B 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 subrecipients achieve the award's performance goals.

**NOTE E - CHILD NUTRITION CLUSTER**

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

**NOTE F – FOOD DONATION PROGRAM**

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

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020  
(Prepared by Management)**

**NOTE G - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 13,369
Special Education - Grants to States	84.027	\$ 15,493
Title II-A Supporting Effective Instruction	84.367	\$ 422
Title IV-A Student Support and Academic Enrichment	84.424A	\$ 543

INDEPENDENT AUDITOR'S 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 modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Swanton Local School District, Fulton County, (the District) as of and for the year ended June 30, 2020, 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 24, 2020, wherein we noted that District uses a special purpose framework other than generally accepted accounting principles. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. We also noted the District adopted a new accounting guidance in Governmental Accounting Standards Board Statement No. 84, "*Fiduciary Activities*".

***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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2020-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 24, 2020.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



***Charles E. Harris & Associates, Inc.***  
December 24, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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, Fulton County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

***Management's Responsibility***

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Swanton Local School District, Fulton County, Ohio 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, 2020.

***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 its major federal programs, to determine our auditing procedures appropriate for opining on its major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
December 24, 2020

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster – CFDA # 84.027, 84.173 Title II-A Supporting Effective Instruction – CFDA # 84.367
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001: Noncompliance**

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

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

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2020. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

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

**Official's Response:**

See Corrective Action Plan.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None.

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2020  
(Prepared by Management)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	<b>Noncompliance Finding – Ohio Rev. Code § 117.38 –</b> The financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America.	Not corrected	See Corrective Action Plan

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR 200.511(c)  
JUNE 30, 2020  
(Prepared by Management)**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2020-001	GAAP statements have not been filed since the Board agreed with the Treasurer to suspend such preparation due to its high cost and limited usage. It is not anticipated that GAAP Statements will be filed in the future.	N/A	Joyce Kinsman, Treasurer