

***SWANTON LOCAL SCHOOL DISTRICT***

***FULTON COUNTY***

**Audit Report**

**For the Year Ended June 30, 2018**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Swanton Local School District, Fulton County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 27, 2018

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SWANTON LOCAL SCHOOL DISTRICT  
 FULTON COUNTY  
 AUDIT REPORT  
 For the Year Ending June 30, 2018

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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, 2018, 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 the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis 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, 2018, and the respective changes in modified cash basis 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 modified cash basis of accounting described in Note 2.

### **Basis of Accounting**

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

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards (Schedule) is presented for purposes of 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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

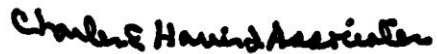
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's basic financial statements. The management's discussion and analysis which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.***  
October 30, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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, 2018, 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 2018 are as follows:

- The total net cash position of the District decreased \$4,320,250 or 43.98% from fiscal year 2017. The net cash position for governmental activities decreased \$4,311,535 or 44.02% and the net cash position for business-type activities decreased \$8,715 or 31.26%.
- General cash receipts accounted for \$13,728,024 or 81.88% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,038,706 or 18.12% of total governmental activities cash receipts.
- The District had \$21,078,265 in cash disbursements related to governmental activities; \$3,038,706 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 \$13,728,024 were not adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement fund and permanent improvement fund. The general fund had cash receipts and other financing sources of \$14,090,317 in 2018. The cash disbursements and other financing uses of the general fund, totaled \$14,207,497 in 2018. The general fund's cash balance decreased \$117,180 from fiscal year 2017 to fiscal year 2018.
- The bond retirement fund had cash receipts and other financing sources of \$1,196,228 in fiscal year 2018. The cash disbursements of the bond retirement fund totaled \$1,161,291 in fiscal year 2018. The bond retirement fund's cash balance increased \$34,937 from fiscal year 2017 to fiscal year 2018.
- The permanent improvement fund had cash receipts and other financing sources of \$736,635 in fiscal year 2018. The cash disbursements of the permanent improvement fund, totaled \$4,189,956 in fiscal year 2018. The permanent improvement fund's cash balance decreased \$3,453,321 from fiscal year 2017 to fiscal year 2018.
- Net cash position for the business-type activities decreased by \$8,715 in fiscal year 2018. This decrease in net cash position was primarily due to decreased receipts from sporting events.

**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, bond retirement fund and permanent improvement 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, 2018  
(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 2018?" These statements include *only net cash position* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

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

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

The statement of net position - modified cash basis and the statement of activities - modified cash basis can be found on pages 15-17 of this report.

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

*Fund Financial Statements*

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

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, the bond retirement fund and the permanent improvement fund. The analysis of the District's major governmental funds begins on page 10.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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 18-20 of this report.

***Proprietary Funds***

The District's only proprietary fund is an enterprise fund. The enterprise fund is used to report the same function that is presented as a business-type activity on the government wide financial statements. The District uses an enterprise fund to account for the community recreation program. The proprietary fund statements can be found on pages 21-23.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private purpose trust fund and an agency fund. The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-64 of this report.

**Government-Wide Financial Analysis**

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

The table below provides a summary of the District's net cash position at June 30, 2018 and June 30, 2017.

	<b>Net Cash Position</b>					
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>						
Equity in pooled cash and investments	\$ 4,246,621	\$ 8,468,794	\$ 19,164	\$ 27,879	\$ 4,265,785	\$ 8,496,673
Cash and cash equivalents with fiscal agent	<u>1,237,233</u>	<u>1,326,595</u>	<u>-</u>	<u>-</u>	<u>1,237,233</u>	<u>1,326,595</u>
Total assets	<u>5,483,854</u>	<u>9,795,389</u>	<u>19,164</u>	<u>27,879</u>	<u>5,503,018</u>	<u>9,823,268</u>
<u>Net Cash Position</u>						
Restricted	1,351,826	2,092,860	-	-	1,351,826	2,092,860
Unrestricted	<u>4,132,028</u>	<u>7,702,529</u>	<u>19,164</u>	<u>27,879</u>	<u>4,151,192</u>	<u>7,730,408</u>
Total net cash position	<u>\$ 5,483,854</u>	<u>\$ 9,795,389</u>	<u>\$ 19,164</u>	<u>\$ 27,879</u>	<u>\$ 5,503,018</u>	<u>\$ 9,823,268</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

The total net cash position of the District decreased \$4,320,250, which represents a 43.98% decrease from fiscal year 2017. The decrease is due to a large increase in building improvement expenses, primarily in the permanent improvement fund.

The balance of government-wide unrestricted net cash position of \$4,151,192 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2018 and 2017.

**Change in Net Cash Position**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash receipts:</b>						
Program cash receipts:						
Charges for services and sales	\$ 1,299,572	\$ 1,294,184	\$ 53,016	\$ 67,613	\$ 1,352,588	\$ 1,361,797
Operating grants and contributions	1,739,134	1,693,681	-	-	1,739,134	1,693,681
Capital grants and contributions	-	11,000	-	-	-	11,000
Total program cash receipts	<u>3,038,706</u>	<u>2,998,865</u>	<u>53,016</u>	<u>67,613</u>	<u>3,091,722</u>	<u>3,066,478</u>
General cash receipts:						
Property taxes	5,593,820	5,575,315	-	-	5,593,820	5,575,315
Income taxes	1,805,042	1,746,716	-	-	1,805,042	1,746,716
Unrestricted grants	6,172,975	6,025,938	-	-	6,172,975	6,025,938
Lease purchase agreement	-	1,800,000	-	-	-	1,800,000
Investment earnings	40,583	33,634	-	-	40,583	33,634
Insurance recoveries	-	115,996	-	-	-	115,996
Other	115,604	231,005	-	500	115,604	231,505
Total general cash receipts	<u>13,728,024</u>	<u>15,528,604</u>	<u>-</u>	<u>500</u>	<u>13,728,024</u>	<u>15,529,104</u>
Total cash receipts	<u>16,766,730</u>	<u>18,527,469</u>	<u>53,016</u>	<u>68,113</u>	<u>16,819,746</u>	<u>18,595,582</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Cash disbursements:</b>						
Instruction:						
Regular	\$ 5,659,688	\$ 5,433,980	\$ -	\$ -	\$ 5,659,688	\$ 5,433,980
Special	2,639,602	2,641,979	-	-	2,639,602	2,641,979
Vocational	1,126	1,143	-	-	1,126	1,143
Other	101,052	88,311	-	-	101,052	88,311
Support services:						
Pupil	806,115	809,723	-	-	806,115	809,723
Instructional staff	481,328	610,017	-	-	481,328	610,017
Board of education	64,141	64,292	-	-	64,141	64,292
Administration	1,267,106	1,270,054	-	-	1,267,106	1,270,054
Fiscal	433,165	428,976	-	-	433,165	428,976
Business	11,908	10,352	-	-	11,908	10,352
Operations and maintenance	1,285,381	1,276,393	-	-	1,285,381	1,276,393
Pupil transportation	678,446	644,954	-	-	678,446	644,954
Central	300,313	245,565	-	-	300,313	245,565
Operation of non instructional services:						
Food service operations	491,705	570,452	-	-	491,705	570,452
Other non-instructional services	73,377	75,486	-	-	73,377	75,486
Extracurricular activities	674,592	735,727	-	-	674,592	735,727
Facilities acquisition and construction	4,965,086	2,720,796	-	-	4,965,086	2,720,796
Debt service:						
Principal retirement	441,384	303,613	-	-	441,384	303,613
Interest and fiscal charges	702,750	662,296	-	-	702,750	662,296
Issuance costs	-	47,450	-	-	-	47,450
Discount on debt issuances	-	2,000	-	-	-	2,000
Recreation	-	-	61,731	67,399	61,731	67,399
Total cash disbursements	<u>21,078,265</u>	<u>18,643,559</u>	<u>61,731</u>	<u>67,399</u>	<u>21,139,996</u>	<u>18,710,958</u>
Change in net cash position	(4,311,535)	(116,090)	(8,715)	714	(4,320,250)	(115,376)
Net cash position at beginning of year	<u>9,795,389</u>	<u>9,911,479</u>	<u>27,879</u>	<u>27,165</u>	<u>9,823,268</u>	<u>9,938,644</u>
Net cash position at end of year	<u>\$ 5,483,854</u>	<u>\$ 9,795,389</u>	<u>\$ 19,164</u>	<u>\$ 27,879</u>	<u>\$ 5,503,018</u>	<u>\$ 9,823,268</u>

**Governmental Activities**

Governmental net cash position decreased by \$4,311,535 in fiscal year 2018 from fiscal year 2017. The decrease is due to an increase in spending on capital projects during fiscal year 2018. Total governmental cash disbursements of \$21,078,265 were partially offset by program cash receipts of \$3,038,706 and general cash receipts of \$13,728,024. Program receipts supported 14.42% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These cash receipt sources represent 80.95% 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, 2018  
(UNAUDITED)

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

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2018	2018	2017	2017
Cash disbursements:				
Instruction:				
Regular	\$ 5,659,688	\$ 4,886,111	\$ 5,433,980	\$ 4,717,612
Special	2,639,602	1,303,833	2,641,979	1,304,195
Vocational	1,126	(20,531)	1,143	(20,594)
Other	101,052	101,052	88,311	88,311
Support services:				
Pupil	806,115	806,115	809,723	809,723
Instructional staff	481,328	467,497	610,017	603,439
Board of education	64,141	64,141	64,292	64,292
Administration	1,267,106	1,263,523	1,270,054	1,266,324
Fiscal	433,165	433,165	428,976	428,976
Business	11,908	11,908	10,352	10,352
Operations and maintenance	1,285,381	1,284,200	1,276,393	1,274,118
Pupil transportation	678,446	628,584	644,954	618,192
Central	300,313	266,735	245,565	211,499
Operation of non-instructional services:				
Food service operations	491,705	(4,378)	570,452	15,879
Other non-instructional services	73,377	20,217	75,486	25,395
Extracurricular	674,592	418,167	735,727	501,826
Facilities acquisition and construction	4,965,086	4,965,086	2,720,796	2,709,796
Debt service:				
Principal retirement	441,384	441,384	303,613	303,613
Interest and fiscal charges	702,750	702,750	662,296	662,296
Issuance costs	-	-	47,450	47,450
Discount on debt issuances	-	-	2,000	2,000
<b>Total</b>	<b><u>\$ 21,078,265</u></b>	<b><u>\$ 18,039,559</u></b>	<b><u>\$ 18,643,559</u></b>	<b><u>\$ 15,644,694</u></b>

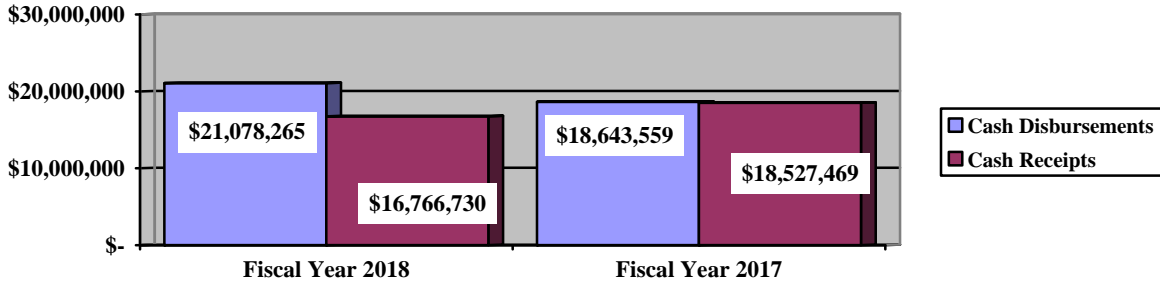
The dependence upon general cash receipts for governmental activities is apparent; with 85.58% of cash disbursements supported through taxes and other general cash receipts during 2018.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

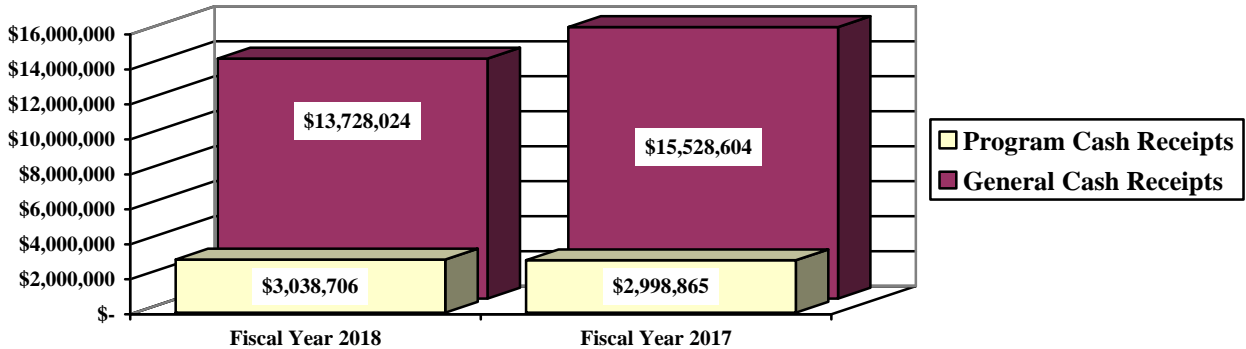
The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2018 and 2017.

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



The graph below presents the District's governmental activities cash receipts for fiscal years 2018 and 2017.

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



**Business-type activities**

Business-type activities include community recreation operations. This program had receipts of \$53,016 and disbursements of \$61,731 for fiscal year 2018. The decrease in net cash position is due to a decrease in the amount of charges for services receipts, primarily those from sporting events. 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, 2018  
(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 \$5,483,854, which is \$4,311,535 less than last year's total of \$9,795,389. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>June 30, 2018</u>	<u>Fund Cash Balance</u> <u>June 30, 2017</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 3,816,073	\$ 3,933,253	\$ (117,180)
Bond retirement	1,240,869	1,205,932	34,937
Permanent improvement	324,475	3,777,796	(3,453,321)
Other nonmajor governmental funds	<u>102,437</u>	<u>878,408</u>	<u>(775,971)</u>
Total	<u>\$ 5,483,854</u>	<u>\$ 9,795,389</u>	<u>\$ (4,311,535)</u>

***General Fund***

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$14,090,317 in 2018. The cash disbursements and other financing uses of the general fund, totaled \$14,207,497 in 2018. The general fund's fund cash balance decreased \$117,180 from 2017 to 2018. The decrease in the general fund's fund cash balance was due to transfers of \$545,000 to the permanent improvement fund and \$202,060 to the bond retirement fund during the fiscal year.

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

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 6,414,022	\$ 6,241,689	2.76 %
Tuition	693,804	738,951	(6.11) %
Earnings on investments	40,510	33,634	20.44 %
Intergovernmental	6,703,835	6,441,368	4.07 %
Other	<u>226,215</u>	<u>327,678</u>	(30.96) %
Total	<u>\$ 14,078,386</u>	<u>\$ 13,783,320</u>	2.14 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements:</u></b>			
Instruction	\$ 7,739,332	\$ 7,546,899	2.55 %
Support services	5,281,042	5,325,457	(0.83) %
Operation of non instruction	11,242	20,902	(46.22) %
Extracurricular	427,321	478,577	(10.71) %
Facilities acquisition and construction	-	239,959	(100.00) %
Total	<u>\$ 13,458,937</u>	<u>\$ 13,611,794</u>	(1.12) %

***Bond Retirement Fund***

The bond retirement fund had cash receipts and other financing sources of \$1,196,228 in fiscal year 2018. The cash disbursements of the bond retirement fund totaled \$1,161,291 in fiscal year 2018. The bond retirement fund's cash balance increased \$34,937 from fiscal year 2017 to fiscal year 2018.

***Permanent Improvement Fund***

The permanent improvement fund had cash receipts and other financing sources of \$736,635 in fiscal year 2018. The cash disbursements of the permanent improvement fund totaled \$4,189,956 in fiscal year 2018. The permanent improvement fund's cash balance decreased \$3,453,321 from fiscal year 2017 to fiscal year 2018.

***Budgeting Highlights - General Fund***

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

For the general fund, original budgeted receipts and other financing sources were \$13,926,875, with final budgeted receipts equally the same amount. Actual receipts and other financing sources for fiscal year 2018 were \$14,059,554. This represents a \$132,679 increase from final budgeted receipts.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$16,429,029 remained unchanged in the final appropriations. The actual budget basis disbursements and other financing uses for fiscal year 2018 totaled \$14,193,756, which was \$2,235,273 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, 2018  
(UNAUDITED)

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2018 and 2017.

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
General obligation bonds	\$ 5,728,612	\$ 6,497,802
Lease purchase agreement	<u>1,638,317</u>	<u>1,798,117</u>
Total long-term obligations	<u>\$ 7,366,929</u>	<u>\$ 8,295,919</u>

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

**Current Financial Related Activities**

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 and then the inside work to upgrade the systems and install the air conditioning systems 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.

This project was financed through \$1.8 million certificate of participation 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 financing. The District's Five Year Forecast includes an operating transfer out to the debt service fund for the COPs 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.

The Swanton Local School District has 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 taxpayers of 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 17 to fiscal year 18. The District experienced a positive operating cash flow for fiscal year 2018 because total expenditures prior to the operating transfer for the building project remained less than receipts.

In spring of 2018, the District and the Swanton Education Association (SEA) worked to settle a two-year contract that runs through 8/31/2020. Through this contract, SEA members are receiving 1% increase to the base teacher salary for the 2 years of the contract with the employee continuing to pay 10% towards the health insurance premium.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

The District worked with the School Support Staff Association (SSSA) to agree to a three-year contract that runs through 8/31/2019. This new contract has an increase in the base salary of 2% in the first and second year of the contract and then a 3% increase in the third year. The SSSA members agreed to increase the employee's share of the health care premiums to 10% in the third year of the contract.

In spring of 2016, the District settled a three-year contract with the OAPSE #660 that represents the bus drivers. This contract calls for an increase in the pay scale to be competitive with neighboring districts, then a 2% increase in the pay scale for years two and three in the contract. The contract also includes an increase in the employee share of health care costs to 10% in the third year of the contract. This contract will expire on June 30, 2019.

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 which allows the District to justify small monthly premium increases based on current claims usage information.

The District asked voters to approve a renewal of the 0.75% school district income tax in May 2014. With an active campaign committee in place, the renewal levy was approved by the voters for another five (5) year term. The income tax generates approximately \$1,500,000 annually for the District's general fund. The District is starting to see the month to month collections stabilizing similar to what our neighboring school districts are experiencing. This positive vote of the community will keep the District moving in a constructive direction for the next several years. The voters of the District will be asked to renew the School District Income Tax during calendar year 2019.

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, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . .	\$ 4,246,621	\$ 19,164	\$ 4,265,785
Cash and cash equivalents with fiscal agent . . .	1,237,233	-	1,237,233
Total assets. . . . .	5,483,854	19,164	5,503,018
 <b>Net cash position:</b>			
Restricted for:			
Capital projects . . . . .	4,110	-	4,110
Debt service. . . . .	1,240,869	-	1,240,869
State funded programs. . . . .	21,251	-	21,251
Federally funded programs . . . . .	3,223	-	3,223
Student activities . . . . .	48,169	-	48,169
Other purposes . . . . .	34,204	-	34,204
Unrestricted. . . . .	4,132,028	19,164	4,151,192
Total net cash position. . . . .	\$ 5,483,854	\$ 19,164	\$ 5,503,018

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, 2018

	<u>Cash</u>	<u>Program Cash Receipts</u>	
	<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>
		<u>Services and Sales</u>	<u>and Contributions</u>
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 5,659,688	\$ 684,540	\$ 89,037
Special . . . . .	2,639,602	111,202	1,224,567
Vocational . . . . .	1,126	-	21,657
Other . . . . .	101,052	-	-
Support services:			
Pupil . . . . .	806,115	-	-
Instructional staff . . . . .	481,328	12,305	1,526
Board of education . . . . .	64,141	-	-
Administration . . . . .	1,267,106	-	3,583
Fiscal . . . . .	433,165	-	-
Business . . . . .	11,908	-	-
Operations and maintenance . . . . .	1,285,381	1,181	-
Pupil transportation . . . . .	678,446	13,812	36,050
Central . . . . .	300,313	28,178	5,400
Operation of non-instructional services:			
Food service operations . . . . .	491,705	225,340	270,743
Other non-instructional services . . . . .	73,377	230	52,930
Extracurricular activities . . . . .	674,592	222,784	33,641
Facilities acquisition and construction . . . . .	4,965,086	-	-
Debt service:			
Principal retirement . . . . .	441,384	-	-
Interest and fiscal charges . . . . .	702,750	-	-
Total governmental activities . . . . .	<u>21,078,265</u>	<u>1,299,572</u>	<u>1,739,134</u>
<b>Business-type activities:</b>			
Recreation . . . . .	<u>61,731</u>	<u>53,016</u>	<u>-</u>
Totals . . . . .	<u>\$ 21,139,996</u>	<u>\$ 1,352,588</u>	<u>\$ 1,739,134</u>

**General cash receipts:**

Property taxes levied for:

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

Income taxes levied for:

- General purposes . . . . .

Grants and entitlements not restricted

- to specific programs . . . . .

Investment earnings . . . . .

Miscellaneous . . . . .

Total general cash receipts . . . . .

Change in net cash position . . . . .

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

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (4,886,111)	\$ -	\$ (4,886,111)
(1,303,833)	-	(1,303,833)
20,531	-	20,531
(101,052)	-	(101,052)
(806,115)	-	(806,115)
(467,497)	-	(467,497)
(64,141)	-	(64,141)
(1,263,523)	-	(1,263,523)
(433,165)	-	(433,165)
(11,908)	-	(11,908)
(1,284,200)	-	(1,284,200)
(628,584)	-	(628,584)
(266,735)	-	(266,735)
4,378	-	4,378
(20,217)	-	(20,217)
(418,167)	-	(418,167)
(4,965,086)	-	(4,965,086)
(441,384)	-	(441,384)
(702,750)	-	(702,750)
<u>(18,039,559)</u>	<u>-</u>	<u>(18,039,559)</u>
-	(8,715)	(8,715)
<u>(18,039,559)</u>	<u>(8,715)</u>	<u>(18,048,274)</u>
4,608,980	-	4,608,980
817,870	-	817,870
166,970	-	166,970
1,805,042	-	1,805,042
6,172,975	-	6,172,975
40,583	-	40,583
115,604	-	115,604
<u>13,728,024</u>	<u>-</u>	<u>13,728,024</u>
(4,311,535)	(8,715)	(4,320,250)
<u>9,795,389</u>	<u>27,879</u>	<u>9,823,268</u>
<u>\$ 5,483,854</u>	<u>\$ 19,164</u>	<u>\$ 5,503,018</u>

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

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 2,570,320	\$ 1,240,869	\$ 324,475	\$ 102,437	\$ 4,238,101
Cash and cash equivalents with fiscal agent. . . . .	1,237,233	-	-	-	1,237,233
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	8,520	-	-	-	8,520
Total assets . . . . .	<u>\$ 3,816,073</u>	<u>\$ 1,240,869</u>	<u>\$ 324,475</u>	<u>\$ 102,437</u>	<u>\$ 5,483,854</u>
<b>Fund cash balances:</b>					
Restricted:					
Debt service . . . . .	\$ -	\$ 1,240,869	-	\$ -	\$ 1,240,869
Capital improvements . . . . .	-	-	-	4,110	4,110
Food service operations . . . . .	-	-	-	25,394	25,394
Non-public schools . . . . .	-	-	-	21,251	21,251
Special education . . . . .	-	-	-	960	960
Targeted academic assistance . . . . .	-	-	-	1,062	1,062
School bus purchases. . . . .	8,520	-	-	-	8,520
Extracurricular activities . . . . .	-	-	-	48,169	48,169
Other purposes. . . . .	-	-	-	1,491	1,491
Committed:					
Capital improvements . . . . .	-	-	324,475	-	324,475
Assigned:					
Student instruction . . . . .	5,829	-	-	-	5,829
Student and staff support. . . . .	185,381	-	-	-	185,381
Subsequent year's appropriations . . . . .	881,085	-	-	-	881,085
Other purposes. . . . .	950	-	-	-	950
Unassigned . . . . .	<u>2,734,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,734,308</u>
Total fund cash balances . . . . .	<u>\$ 3,816,073</u>	<u>\$ 1,240,869</u>	<u>\$ 324,475</u>	<u>\$ 102,437</u>	<u>\$ 5,483,854</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, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>					
From local sources:					
Property taxes . . . . .	\$ 4,608,980	\$ 817,870	\$ 166,970	\$ -	\$ 5,593,820
Income taxes. . . . .	1,805,042	-	-	-	1,805,042
Tuition. . . . .	693,804	-	-	-	693,804
Transportation fees. . . . .	6,123	-	-	10,392	16,515
Earnings on investments . . . . .	40,510	-	-	73	40,583
Charges for services . . . . .	-	-	-	203,534	203,534
Extracurricular. . . . .	25,147	-	-	217,784	242,931
Classroom materials and fees . . . . .	60,676	-	-	-	60,676
Other local revenues . . . . .	134,269	-	-	85,157	219,426
Intergovernmental - state . . . . .	6,625,109	176,298	24,665	60,076	6,886,148
Intergovernmental - federal . . . . .	78,726	-	-	913,594	992,320
Total cash receipts . . . . .	<u>14,078,386</u>	<u>994,168</u>	<u>191,635</u>	<u>1,490,610</u>	<u>16,754,799</u>
<b>Cash disbursements:</b>					
Current:					
Instruction:					
Regular. . . . .	5,549,816	-	-	109,872	5,659,688
Special . . . . .	2,087,338	-	-	552,264	2,639,602
Vocational . . . . .	1,126	-	-	-	1,126
Other . . . . .	101,052	-	-	-	101,052
Support services:					
Pupil . . . . .	806,115	-	-	-	806,115
Instructional staff . . . . .	473,383	-	-	7,945	481,328
Board of education . . . . .	64,141	-	-	-	64,141
Administration . . . . .	1,263,440	-	-	3,666	1,267,106
Fiscal . . . . .	412,507	17,157	3,501	-	433,165
Business. . . . .	11,908	-	-	-	11,908
Operations and maintenance . . . . .	1,285,381	-	-	-	1,285,381
Pupil transportation . . . . .	669,254	-	-	9,192	678,446
Central . . . . .	294,913	-	-	5,400	300,313
Operation of non-instructional services:					
Food service operations. . . . .	-	-	-	491,705	491,705
Other non-instructional services. . . . .	11,242	-	-	62,135	73,377
Extracurricular activities. . . . .	427,321	-	-	247,271	674,592
Facilities acquisition and construction. . . . .	-	-	4,186,455	778,631	4,965,086
Debt service:					
Principal retirement. . . . .	-	441,384	-	-	441,384
Interest and fiscal charges . . . . .	-	702,750	-	-	702,750
Total cash disbursements . . . . .	<u>13,458,937</u>	<u>1,161,291</u>	<u>4,189,956</u>	<u>2,268,081</u>	<u>21,078,265</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>619,449</u>	<u>(167,123)</u>	<u>(3,998,321)</u>	<u>(777,471)</u>	<u>(4,323,466)</u>
<b>Other financing sources (uses):</b>					
Sale of capital assets . . . . .	11,931	-	-	-	11,931
Transfers in. . . . .	-	202,060	545,000	1,500	748,560
Transfers (out) . . . . .	(748,560)	-	-	-	(748,560)
Total other financing sources (uses) . . . . .	<u>(736,629)</u>	<u>202,060</u>	<u>545,000</u>	<u>1,500</u>	<u>11,931</u>
Net change in fund cash balances . . . . .	(117,180)	34,937	(3,453,321)	(775,971)	(4,311,535)
<b>Fund cash balances at beginning of year . . . . .</b>	<u>3,933,253</u>	<u>1,205,932</u>	<u>3,777,796</u>	<u>878,408</u>	<u>9,795,389</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 3,816,073</u>	<u>\$ 1,240,869</u>	<u>\$ 324,475</u>	<u>\$ 102,437</u>	<u>\$ 5,483,854</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, 2018

	<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 . . . . .	\$ 4,560,500	\$ 4,560,500	\$ 4,608,979	\$ 48,479
Income taxes . . . . .	1,750,000	1,750,000	1,805,042	55,042
Tuition . . . . .	726,500	726,500	693,803	(32,697)
Transportation fees . . . . .	-	-	6,123	6,123
Earnings on investments . . . . .	52,500	52,500	77,510	25,010
Classroom materials and fees . . . . .	35,600	35,600	39,272	3,672
Rental income . . . . .	2,500	2,500	1,181	(1,319)
Contributions and donations . . . . .	10,000	10,000	4,756	(5,244)
Other local revenues . . . . .	201,000	201,000	82,835	(118,165)
Intergovernmental - state . . . . .	6,471,275	6,471,275	6,625,110	153,835
Intergovernmental - federal . . . . .	75,000	75,000	78,726	3,726
Total budgetary basis receipts . . . . .	<u>13,884,875</u>	<u>13,884,875</u>	<u>14,023,337</u>	<u>138,462</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	5,948,623	5,948,623	5,460,040	488,583
Special . . . . .	2,725,190	2,728,189	2,077,157	651,032
Vocational . . . . .	10,000	10,000	1,126	8,874
Other . . . . .	91,095	95,195	100,573	(5,378)
Support services:				
Pupil . . . . .	899,103	871,203	803,559	67,644
Instructional staff . . . . .	485,491	494,169	542,414	(48,245)
Board of education . . . . .	170,350	170,350	64,141	106,209
Administration . . . . .	1,432,092	1,432,092	1,252,575	179,517
Fiscal . . . . .	655,738	672,811	423,093	249,718
Business . . . . .	10,450	10,450	11,908	(1,458)
Operations and maintenance . . . . .	1,598,280	1,598,280	1,321,127	277,153
Pupil transportation . . . . .	838,859	838,859	662,964	175,895
Central . . . . .	281,258	276,308	292,006	(15,698)
Other non-instructional services . . . . .	700	700	6,071	(5,371)
Extracurricular activities . . . . .	501,800	501,800	426,442	75,358
Total budgetary basis disbursements . . . . .	<u>15,649,029</u>	<u>15,649,029</u>	<u>13,445,196</u>	<u>2,203,833</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements .	<u>(1,764,154)</u>	<u>(1,764,154)</u>	<u>578,141</u>	<u>2,342,295</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	25,000	25,000	24,286	(714)
Transfers (out) . . . . .	(775,000)	(775,000)	(748,560)	(26,440)
Advances in . . . . .	2,000	2,000	-	(2,000)
Advances (out) . . . . .	(5,000)	(5,000)	-	(5,000)
Sale of capital assets . . . . .	15,000	15,000	11,931	(3,069)
Total other financing sources (uses) . . . . .	<u>(738,000)</u>	<u>(738,000)</u>	<u>(712,343)</u>	<u>(37,223)</u>
Net change in budgetary fund balance . . . . .	(2,502,154)	(2,502,154)	(134,202)	2,305,072
<b>Fund balance at beginning of year . . . . .</b>	<b>2,490,994</b>	<b>2,490,994</b>	<b>2,490,994</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>54,964</b>	<b>54,964</b>	<b>54,964</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><b>\$ 43,804</b></u>	<u><b>\$ 43,804</b></u>	<u><b>2,411,756</b></u>	<u><b>\$ 2,305,072</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, 2018

	<u>Recreation</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	<u>\$ 19,164</u>
<b>Net cash position:</b>	
Unrestricted. . . . .	<u>\$ 19,164</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF OPERATING RECEIPTS, DISBURSEMENTS AND  
CHANGES IN NET CASH POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Recreation</b>
<b>Operating receipts:</b>	
Charges for services. . . . .	\$ 53,016
 <b>Operating disbursements:</b>	
Personal services. . . . .	18,021
Fringe benefits. . . . .	6,046
Purchased services. . . . .	4,723
Materials and supplies . . . . .	32,834
Other. . . . .	107
Total operating disbursements . . . . .	61,731
 Change in net cash position . . . . .	(8,715)
 <b>Net cash position at beginning of year. . .</b>	27,879
 <b>Net cash position at end of year . . . . .</b>	\$ 19,164

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, 2018

	<b>Recreation</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers. . . . .	\$ 53,016
Cash payments for salaries. . . . .	(18,021)
Cash payments for fringe benefits. . . . .	(6,046)
Cash payments for purchased services. . . . .	(4,723)
Cash payments for materials and supplies. . . . .	(32,834)
Cash payments for other expenses . . . . .	(107)
Net cash provided by operating activities. . . . .	(8,715)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>27,879</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 19,164</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET CASH POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 38,129	\$ 12,670
<b>Net cash position:</b>		
Held in trust for scholarships . . . . .	\$ 38,129	\$ -
Held for student activities. . . . .	-	12,670
Total net cash position. . . . .	\$ 38,129	\$ 12,670

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET CASH POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	
<b>Deductions:</b>		
Scholarships awarded . . . . .	\$ 5,000	
Change in net cash position . . . . .		(5,000)
<b>Net cash position at beginning of year. . .</b>		<u>43,129</u>
<b>Net cash position at end of year . . . . .</b>	<u>\$ 38,129</u>	

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, 2018**

**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 47 classified employees, 87 certified teaching personnel, and 7 administrative employees who provide services to approximately 1,330 students and other community members. The District currently operates 4 instructional buildings and an administration building.

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

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

**A. Reporting Entity**

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. Total disbursements made by the District to NWOCA during this fiscal year were \$62,001. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Penta Career Center

The Penta Career Center (the "Center") is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District. The District did not make any payments to the Center during fiscal year 2018. 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, 2018

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

Northwestern Ohio Educational Research Council, Inc.

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

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among 192 school districts, educational service centers, joint vocational districts, and developmental disabilities boards which was formed to purchase quality products and services at the lowest possible cost to participating school districts. The Council is governed by a board consisting of 9 superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the board. Financial information can be obtained from the Ohio Schools Council Association, 155 Center Road, Bedford, Ohio 44146.

*PUBLIC ENTITY RISK POOLS*

Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a 15 member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hyland Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Northern Buckeye Education Council Workers' Compensation Group Rating Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Jefferson Health Plan

The District participates in the Jefferson Health Plan (Plan), a risk-sharing claims servicing, and insurance purchasing pool comprised of 75 members, including 2 insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a 9 member board of directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the Plan's participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

*RELATED ORGANIZATION*

Swanton Public Library

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

**B. Basis of Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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.

*Permanent improvement fund* - The permanent improvement fund is used to account for financial resources to be used for the construction and improvement of school facilities as are authorized by Chapter 5705, Revised Code.

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, 2018

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. The agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities.

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

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

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

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

**E. Budgets**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 2018, investments were limited to federal agency securities, negotiable certificates of deposit, and a U.S. Government money market fund. Investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$40,510, which includes \$24,643 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, 2018

**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 2018.

**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, 2018**

**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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**P. Restricted Assets**

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

**Q. Operating Receipts and Disbursements**

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

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

For purposes of measuring the net pension/OPEB liability, 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.

**S. Fair Market 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**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 11 to the basic financial statements.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

**B. Compliance**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. 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.

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.

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was \$1,285,742 and the bank balance of all District deposits was \$1,680,578. Of the bank balance, \$1,206,534 was covered by the FDIC and \$474,044 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 market 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 market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

**C. Investments**

As of June 30, 2018, the District had the following investments and maturities:

<u>Investment type</u>	<u>Measurement Value</u>	<u>Investment maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Negotiable CDs	\$ 943,005	\$ -	\$ -	\$ -	\$ 240,734	\$ 702,271
FNMA	1,293,921	-	-	-	205,948	1,087,973
FHLMC	453,948	-	222,660	231,288	-	-
FFCB	304,550	304,550	-	-	-	-
U.S. Government Money Market Fund	30,418	30,418	-	-	-	-
<b>Total</b>	<b>\$ 3,025,842</b>	<b>\$ 334,968</b>	<b>\$ 222,660</b>	<b>\$ 231,288</b>	<b>\$ 446,682</b>	<b>\$ 1,790,244</b>

The weighted average maturity of investments is 2.00 years.

The District’s investments in negotiable certificates of deposit 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).

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities 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.

*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, 2018:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
Negotiable CDs	\$ 943,005	31.17
FNMA	1,293,921	42.76
FHLMC	453,948	15.00
FFCB	304,550	10.06
U.S. Government Money Market Fund	<u>30,418</u>	<u>1.01</u>
Total	<u>\$ 3,025,842</u>	<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, 2018**

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position - modified cash basis as of June 30, 2018:

Cash and investments per note

Carrying amount of deposits	\$ 1,285,742
Cash with fiscal agent	1,237,233
Investments	3,025,842
Cash on hand	<u>5,000</u>
Total	<u>\$ 5,553,817</u>

Cash and investments per statement of net position

Governmental activities	\$ 5,483,854
Business-type activities	19,164
Private-purpose trust fund	38,129
Agency funds	<u>12,670</u>
Total	<u>\$ 5,553,817</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

During fiscal year 2018, the general fund transferred \$202,060 to the bond retirement fund for the repayment of debt.

During fiscal year 2018, the general fund transferred \$545,000 to the permanent improvement fund for various construction projects throughout the District.

During fiscal year 2018, the general fund transferred \$1,500 to the nonmajor governmental funds to support athletic programs.

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.

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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, 2017, are available to finance fiscal year 2018 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 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 178,177,460	96.15	\$ 191,876,600	96.21
Public utility personal	<u>7,136,360</u>	<u>3.85</u>	<u>7,562,390</u>	<u>3.79</u>
Total	<u>\$ 185,313,820</u>	<u>100.00</u>	<u>\$ 199,438,990</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 62.75		\$ 60.30	

**NOTE 7 - INCOME TAXES**

The District levies a voted tax of 0.75% for general operations on the income of residents and of estates. The tax was effective on January 1, 2015, for a 5 year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file 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.

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2018, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2018</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
FY06 refunding bonds					
Capital appreciation bonds	\$ 176,384	\$ -	\$ (176,384)	\$ -	\$ -
Accreted interest	488,022	40,594	(528,616)	-	-
FY16 refunding bonds					
Current interest bonds	5,835,000	-	(105,000)	5,730,000	815,000
Discount	(1,604)	-	216	(1,388)	-
Total general obligation bonds payable	<u>6,497,802</u>	<u>40,594</u>	<u>(809,784)</u>	<u>5,728,612</u>	<u>815,000</u>
<u>Other long-term obligations:</u>					
Lease purchase agreement	1,800,000	-	(160,000)	1,640,000	165,000
Discount on lease purchase	(1,883)	-	200	(1,683)	-
Total long-term obligations governmental activities	<u>\$ 8,295,919</u>	<u>\$ 40,594</u>	<u>\$ (969,584)</u>	<u>\$ 7,366,929</u>	<u>\$ 980,000</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. 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.

The capital appreciation bonds are not subject to prior redemption. The final outstanding capital appreciation bond matured in fiscal year 2018.

At June 30, 2018, \$7,310,000 of the refunded 2001 school improvement bonds was still outstanding.

At June 30, 2018, \$5,940,000 of the refunded 2006 school improvement bonds was still outstanding.



**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

*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.

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 District's long-term obligations:

Fiscal Year Ended	General Obligation Bonds		
	Current Interest Bonds		
	Principal	Interest	Total
2019	\$ 815,000	\$ 119,969	\$ 934,969
2020	850,000	101,205	951,205
2021	855,000	81,989	936,989
2022	870,000	62,547	932,547
2023	890,000	42,714	932,714
2024 - 2025	1,450,000	28,513	1,478,513
Total	<u>\$ 5,730,000</u>	<u>\$ 436,937</u>	<u>\$ 6,166,937</u>

Fiscal Year Ended	Lease Purchase Agreement		
	Principal	Interest	Total
2019	\$ 165,000	\$ 39,716	\$ 204,716
2020	170,000	35,445	205,445
2021	175,000	31,046	206,046
2022	180,000	26,520	206,520
2023	180,000	21,930	201,930
2024 - 2027	770,000	39,908	809,908
Total	<u>\$ 1,640,000</u>	<u>\$ 194,565</u>	<u>\$ 1,834,565</u>

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018, are a voted debt margin of \$13,460,378 and an unvoted debt margin of \$199,439.

**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 2018, 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		63,981,990

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 2018, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

**SWANTON LOCAL SCHOOL DISTRICT  
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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***

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

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

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

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

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

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

**SWANTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**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	Any age with 30 years of service credit Age 65 with 5 years service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$246,399 for fiscal year 2018.

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

Plan Description - County 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 percent 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 26 years of service, or 31 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 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$794,784 for fiscal year 2018.

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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, 2017, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05642380%	0.05030202%	
Proportion of the net pension liability current measurement date	<u>0.05643400%</u>	<u>0.05034850%</u>	
Change in proportionate share	<u>0.00001020%</u>	<u>0.00004648%</u>	
Proportionate share of the net pension liability	\$ 3,371,807	\$ 11,960,394	\$ 15,332,201

***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  
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**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, 2017, are presented below:

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

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, 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 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent 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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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

<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	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**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)**

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 4,679,192	\$ 3,371,807	\$ 2,276,605

**Actuarial Assumptions - STRS Ohio**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.



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

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent 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 percent of rates for males and 100 percent 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.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
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	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*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.

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**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 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 17,144,818	\$ 11,960,394	\$ 7,593,294

**NOTE 11 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

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 net OPEB liability 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 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.

**SWANTON LOCAL SCHOOL DISTRICT  
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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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. Resulting adjustments to the net OPEB liability 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.

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$30,340.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$39,466 for fiscal year 2018.

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

***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, 2020. 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 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. 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	0.05642380%	0.05030202%	
Proportion of the net OPEB liability current measurement date	<u>0.05709880%</u>	<u>0.05034850%</u>	
Change in proportionate share	<u>0.00067500%</u>	<u>0.00004648%</u>	
Proportionate share of the net OPEB liability	\$ 1,532,382	\$ 1,964,413	\$ 3,496,795

***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.

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

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 percent, 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	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, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. 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 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent 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 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. 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.

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

*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 (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 1,850,546	\$ 1,532,382	\$ 1,280,314

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,243,413	\$ 1,532,382	\$ 1,914,837

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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 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>	

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent 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 actual rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. 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 blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 2,637,193	\$ 1,964,413	\$ 1,432,697

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,364,790	\$ 1,964,413	\$ 2,753,587

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for classified employees and 235 days for certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of 60 days for classified employees and 58.75 days for certified employees. In addition, each certified employee will receive an additional \$50 for each year of service to the District, up to a maximum of 30 years of service.

**B. Separation Benefit**

For STRS Ohio employees, a cash payment of \$15,000 is made to all employees who elect to retire under normal circumstances in the first year they are eligible. The employee has the option of participating with a Board approved annuity company for deferring all or a portion of the payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year or take the payment at the time of retirement. To qualify, the employee must have at least 15 years of service with the District and must meet all eligibility requirements for retirement under STRS Ohio. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period ended in August 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - OTHER EMPLOYEE BENEFITS – (Continued)**

For bus drivers and all other SERS employees, a cash payment of \$4,500 is made to all bargaining unit members who elect to retire under normal circumstances and in the first year they are eligible. The employee has the option of participating with a Board approved annuity company for deferring all or a portion of the payment for tax purposes. The employee may choose to defer the payment until January of the following calendar year or take the payment at the time of retirement. To qualify, the employee must have at least 15 years of service with the District for bus drivers, or 7 years of service for all other SERS employees, must meet all eligibility requirements for retirement under SERS, and must indicate a retirement date before August 1 preceding their year of eligibility. Continuation of the program is reviewed with each negotiated agreement. The current enrollment period for bus drivers, ended in August 2013, and for all other SERS employees, ended in August 2014.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balances on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (modified cash), earnings on investments are reported for interest received (budget) rather than including the fair market 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 report (budget).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (134,202)
Funds budgeted elsewhere **	19,182
Net adjustment for fair market value	(36,999)
Adjustment for cash with fiscal agent	(89,362)
Adjustment for encumbrances	124,201
Modified cash basis	<u>\$ (117,180)</u>

\*\* 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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.

**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. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receipt to, or an expense of, the District.

**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	\$ 124,201
Permanent improvement	249,515
Nonmajor governmental	<u>22,650</u>
Total	<u>\$ 396,366</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 16 - STATUTORY RESERVES - (Continued)**

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, 2017	\$ -
Current year set-aside requirement	238,477
Current year qualifying disbursements	(19,254)
Current year offsets	<u>(219,223)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

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

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**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018  
(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>				
<i>Passed Through Ohio Department of Education</i>				
TITLE I FY17	84.010	N/A		\$ 31,564
TITLE I FY18	84.010	N/A		168,715
Total Title I				200,279
IDEA Part B Special Education Cluster:				
IDEA Part B Special Education FY18	84.027	N/A		312,770
Early Lit Grant FY18	84.027	N/A		43,858
ECSE Preschool FY18	84.173	N/A	\$ 5,359	5,359
Early Lit Grant FY18 ELSR	84.173	N/A		464
Total IDEA Part B Special Education Cluster			5,359	362,451
TITLE II-A FY17	84.367	N/A		1,154
TITLE II-A FY18	84.367	N/A		41,108
Total Title II-A				42,262
TITLE IV-A FY18	84.424	N/A		8,062
Total Title IV-A				8,062
Total U.S. Department of Education			<b>5,359</b>	<b>613,054</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Cash Assistance				
National School Lunch Program	10.555	N/A		205,257
National School Breakfast Program	10.553	N/A		60,038
<b>Direct Program</b>				
Non-Cash Assistance				
National School Lunch Program - See Note E	10.555	N/A		22,410
Total U.S. Department of Agriculture				<b>287,705</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 5,359</b>	<b>\$ 900,759</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, 2018  
(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, 2018. 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, 2018  
(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 2018 to 2019 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 2,692
Title IV-A Student Support and Enrichment	84.027	\$ 1,938

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2018, wherein we noted that District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2018-001.

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

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
October 30, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR 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 the Major Federal Program***

We have audited the Swanton Local School District, Fulton County, Ohio's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

***Management's Responsibility***

Management is responsible for compliance 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 express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, the Swanton Local School District, Fulton County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

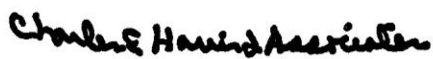
***Report on Internal Control Over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
October 30, 2018

**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

**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
<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, 2018**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001: 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, 2018. 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, 2018  
(Prepared by Management)

Finding Number	Finding Summary	Status	Additional Information
2017-001	<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	Repeated as finding 2018-001

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**SWANTON LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR 200.511(c)  
JUNE 30, 2018  
(Prepared by Management)**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2018-001	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

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# Dave Yost • Auditor of State

**SWANTON LOCAL SCHOOL DISTRICT**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 8, 2019**