

SWANTON LOCAL SCHOOL DISTRICT

FULTON COUNTY

Audit Report

For the Year Ended June 30, 2017





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, 2016 through June 30, 2017. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 23, 2018

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SWANTON LOCAL SCHOOL DISTRICT
 FULTON COUNTY
 AUDIT REPORT
 For the Year Ending June 30, 2017

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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, 2017, 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 an opinion 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 and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2017, 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 of accounting applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements.

The Schedule of Expenditures of Federal Awards is presented for the purpose 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.

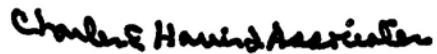
The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of basic financial statements and certain 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

The management's discussion and analysis on pages 4 - 15, which is the responsibility of management, is presented for the purpose 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 November 16, 2017, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
November 16, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2017, 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 2017 are as follows:

- The total net cash position of the District decreased \$115,376 or 1.16% from fiscal year 2016. The net cash position for governmental activities decreased \$116,090 or 1.18% and the net cash position for business-type activities increased \$714 or 2.63%.
- General cash receipts accounted for \$15,528,604 or 83.81% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,998,865 or 16.19% of total governmental activities cash receipts.
- The District had \$18,643,559 in cash disbursements related to governmental activities; \$2,998,865 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 \$15,528,604 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 \$14,089,998 in 2017. The cash disbursements and other financing uses of the general fund, totaled \$18,659,999 in 2017. The general fund's cash balance decreased \$4,570,001 from fiscal year 2016 to fiscal year 2017.
- The bond retirement fund had cash receipts and other financing sources of \$1,145,573 in fiscal year 2017. The cash disbursements of the bond retirement fund, totaled \$986,439 in fiscal year 2017. The bond retirement fund's cash balance increased \$159,134 from fiscal year 2016 to fiscal year 2017.
- The permanent improvement fund had cash receipts and other financing sources of \$5,042,011 in fiscal year 2017. The cash disbursements of the permanent improvement fund, totaled \$1,516,504 in fiscal year 2017. The permanent improvement fund's cash balance increased \$3,525,507 from fiscal year 2016 to fiscal year 2017.
- Net cash position for the business-type activities increased by \$714 in fiscal year 2017. This increase in net cash position was primarily due to decreased receipts being larger than decreased disbursements.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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.

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 2017?" 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 16-18 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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 12.

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 19-21 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 22-24.

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 25 and 26 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 27-57 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Government-Wide Financial Analysis

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

The table below provides a summary of the District's net cash position for at June 30, 2017 and June 30, 2016.

	Net Cash Position					
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Assets</u>						
Equity in pooled cash and investments	\$ 8,468,794	\$ 8,638,836	\$ 27,879	\$ 27,165	\$ 8,496,673	\$ 8,666,001
Cash and cash equivalents with fiscal agent	<u>1,326,595</u>	<u>1,272,643</u>	<u>-</u>	<u>-</u>	<u>1,326,595</u>	<u>1,272,643</u>
Total assets	<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>
<u>Net Cash Position</u>						
Restricted	2,092,860	1,416,745	-	-	2,092,860	1,416,745
Unrestricted	<u>7,702,529</u>	<u>8,494,734</u>	<u>27,879</u>	<u>27,165</u>	<u>7,730,408</u>	<u>8,521,899</u>
Total net cash position	<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>

The total net cash position of the District decreased \$115,376, which represents a 1.16% decrease from fiscal year 2016. The decrease is due to an increase in spending on capital projects.

The balance of government-wide unrestricted net cash position of \$7,730,408 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The table below shows the changes in net cash position for fiscal year 2017 and 2016.

Change in Net Cash Position

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Cash receipts:						
Program cash receipts:						
Charges for services and sales	\$ 1,294,184	\$ 1,066,529	\$ 67,613	\$ 68,001	\$ 1,361,797	\$ 1,134,530
Operating grants and contributions	1,693,681	1,600,521	-	-	1,693,681	1,600,521
Capital grants and contributions	<u>11,000</u>	<u>9,990</u>	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>-</u>
Total program cash receipts	<u>2,998,865</u>	<u>2,677,040</u>	<u>67,613</u>	<u>68,001</u>	<u>3,066,478</u>	<u>2,735,051</u>
General cash receipts:						
Property taxes	5,575,315	5,619,492	-	-	5,575,315	5,619,492
Income taxes	1,746,716	1,730,361	-	-	1,746,716	1,730,361
Unrestricted grants	6,025,938	5,822,000	-	-	6,025,938	5,822,000
Sale of bonds	-	5,940,000	-	-	-	5,940,000
Lease purchase agreement	1,800,000	-	-	-	1,800,000	-
Investment earnings	33,634	114,903	-	-	33,634	114,903
Insurance recoveries	115,996	-	-	-	115,996	-
Other	<u>231,005</u>	<u>218,404</u>	<u>500</u>	<u>6,000</u>	<u>231,505</u>	<u>224,404</u>
Total general cash receipts	<u>15,528,604</u>	<u>19,445,160</u>	<u>500</u>	<u>6,000</u>	<u>15,529,104</u>	<u>19,451,160</u>
Total cash receipts	<u>18,527,469</u>	<u>22,122,200</u>	<u>68,113</u>	<u>74,001</u>	<u>18,595,582</u>	<u>22,186,211</u>

- Continued

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Change in Net Cash Position (Continued)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Cash disbursements:						
Instruction:						
Regular	\$ 5,433,980	\$ 5,447,841	\$ -	\$ -	\$ 5,433,980	\$ 5,447,841
Special	2,641,979	2,272,571	-	-	2,641,979	2,272,571
Vocational	1,143	255	-	-	1,143	255
Other	88,311	90,907	-	-	88,311	90,907
Support services:						
Pupil	809,723	734,598	-	-	809,723	734,598
Instructional staff	610,017	651,742	-	-	610,017	651,742
Board of education	64,292	90,837	-	-	64,292	90,837
Administration	1,270,054	1,268,489	-	-	1,270,054	1,268,489
Fiscal	428,976	427,709	-	-	428,976	427,709
Business	10,352	7,167	-	-	10,352	7,167
Operations and maintenance	1,276,393	1,339,097	-	-	1,276,393	1,339,097
Pupil transportation	644,954	594,605	-	-	644,954	594,605
Central	245,565	222,042	-	-	245,565	222,042
Operation of non instructional services:						
Food service operations	570,452	502,074	-	-	570,452	502,074
Other non-instructional services	75,486	80,955	-	-	75,486	80,955
Extracurricular activities	735,727	703,973	-	-	735,727	703,973
Facilities acquisition and construction	2,720,796	104,455	-	-	2,720,796	104,455
Debt service:						
Principal retirement	303,613	700,000	-	-	303,613	700,000
Interest and fiscal charges	662,296	111,440	-	-	662,296	111,440
Issuance costs	47,450	68,940	-	-	47,450	68,940
Discount on debt issuances	2,000	2,000	-	-	2,000	2,000
Payment to refunded bond escrow agent	-	6,060,453	-	-	-	6,060,453
Recreation	-	-	67,399	70,758	67,399	70,758
Total cash disbursements	<u>18,643,559</u>	<u>21,482,150</u>	<u>67,399</u>	<u>70,758</u>	<u>18,710,958</u>	<u>21,552,908</u>
Change in net cash position	(116,090)	640,050	714	3,243	(115,376)	643,293
Net cash position at beginning of year	<u>9,911,479</u>	<u>9,271,429</u>	<u>27,165</u>	<u>23,922</u>	<u>9,938,644</u>	<u>9,295,351</u>
Net cash position at end 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>

Governmental Activities

Governmental net cash position decreased by \$116,090 in fiscal year 2017 from fiscal year 2016. The decrease is due to an increase in spending on capital projects during fiscal year 2017. Total governmental cash disbursements of \$18,643,559 were offset by program cash receipts of \$2,998,865 and general cash receipts of \$15,528,604. Program receipts supported 16.09% of the total governmental cash disbursements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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 72.04% of total governmental cash receipts. Real estate property is reappraised every six years.

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

	Governmental Activities			
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
Cash disbursements:				
Instruction:				
Regular	\$ 5,433,980	\$ 4,717,612	\$ 5,447,841	\$ 4,847,691
Special	2,641,979	1,304,195	2,272,571	1,105,072
Vocational	1,143	(20,594)	255	(4,115)
Other	88,311	88,311	90,907	90,907
Support services:				
Pupil	809,723	809,723	734,598	734,598
Instructional staff	610,017	603,439	651,742	643,393
Board of education	64,292	64,292	90,837	90,837
Administration	1,270,054	1,266,324	1,268,489	1,265,459
Fiscal	428,976	428,976	427,709	427,709
Business	10,352	10,352	7,167	7,167
Operations and maintenance	1,276,393	1,274,118	1,339,097	1,334,497
Pupil transportation	644,954	618,192	594,605	551,967
Central	245,565	211,499	222,042	197,942
Operation of non-instructional services:				
Food service operations	570,452	15,879	502,074	(9,712)
Other non-instructional services	75,486	25,395	80,955	21,586
Extracurricular	735,727	501,826	703,973	452,824
Facilities acquisition and construction	2,720,796	2,709,796	104,455	104,455
Debt service:				
Principal retirement	303,613	303,613	700,000	700,000
Interest and fiscal charges	662,296	662,296	111,440	111,440
Issuance costs	47,450	47,450	68,940	68,940
Discount on debt issuances	2,000	2,000	2,000	2,000
Payment to refunded bond escrow agent	-	-	6,060,453	6,060,453
Total	<u>\$ 18,643,559</u>	<u>\$ 15,644,694</u>	<u>\$ 21,482,150</u>	<u>\$ 18,805,110</u>

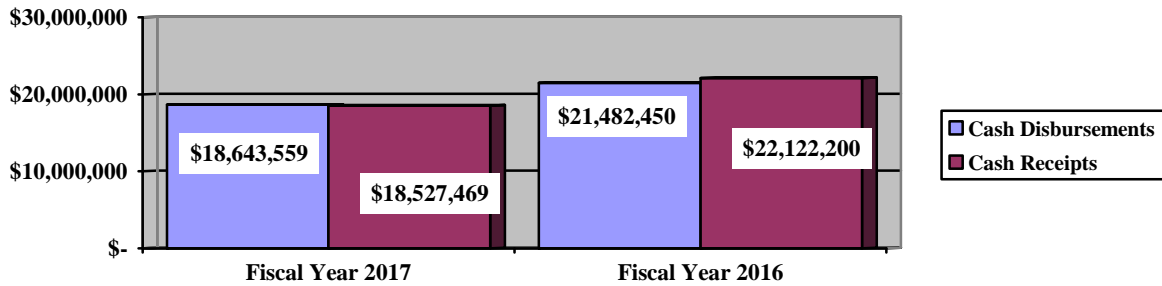
The dependence upon general cash receipts for governmental activities is apparent; with 83.91% of cash disbursements supported through taxes and other general cash receipts during 2017.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

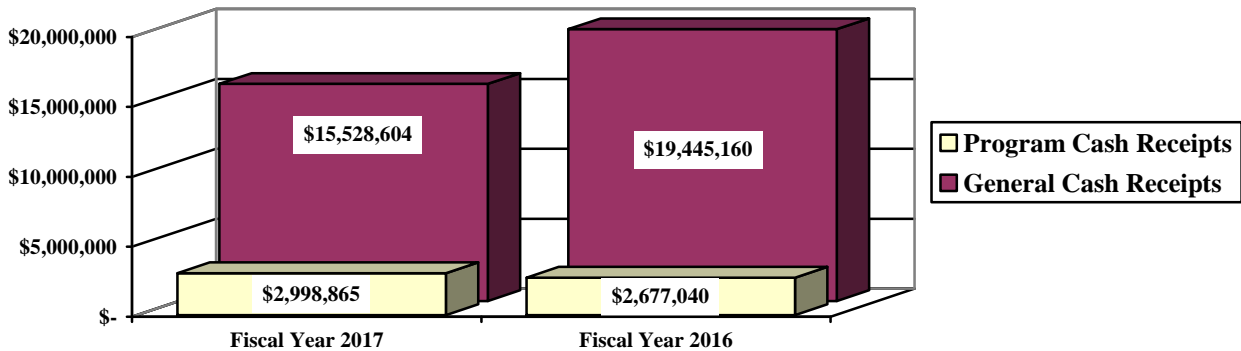
The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2017 and 2016.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



The graph below presents the District's governmental activities cash receipts for fiscal years 2017 and 2016.

Governmental Activities - General and Program Cash Receipts



Business-type activities

Business-type activities include community recreation operations. This program had receipts of \$68,113 and disbursements of \$67,399 for fiscal year 2017. The increase in net cash position is due to decreasing receipts still being greater than decreasing disbursements compared to the prior fiscal year. The District's business-type activities receive no support from tax revenues.

Financial Analysis of the Government's Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 \$9,795,389, which is \$116,090 less than last year's total of \$9,911,479. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>June 30, 2017</u>	<u>Fund Cash Balance</u> <u>June 30, 2016</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 3,933,253	\$ 8,503,254	\$ (4,570,001)
Bond retirement	1,205,932	1,046,798	159,134
Permanent improvement	3,777,796	252,289	3,525,507
Other nonmajor governmental funds	<u>878,408</u>	<u>109,138</u>	<u>769,270</u>
Total	<u>\$ 9,795,389</u>	<u>\$ 9,911,479</u>	<u>\$ (116,090)</u>

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$14,089,998 in 2017. The cash disbursements and other financing uses of the general fund, totaled \$18,659,999 in 2017. The general fund's fund cash balance decreased \$4,570,001 from 2016 to 2017. The decrease in the general fund's fund cash balance was due to a transfer of \$4,850,000 to the permanent improvement fund during the fiscal year.

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 6,241,689	\$ 6,279,804	(0.61) %
Tuition	738,951	538,652	37.19 %
Earnings on investments	33,634	114,903	(70.73) %
Intergovernmental	6,441,368	6,231,459	3.37 %
Other	<u>327,678</u>	<u>356,188</u>	(8.00) %
Total	<u>\$ 13,783,320</u>	<u>\$ 13,521,006</u>	1.94 %

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements:</u>			
Instruction	\$ 7,546,899	\$ 7,244,013	4.18 %
Support services	5,325,457	5,300,998	0.46 %
Operation of non instruction	20,902	31,434	(33.51) %
Extracurricular	478,577	449,203	6.54 %
Facilities acquisition and construction	<u>239,959</u>	<u>19,447</u>	1,133.91 %
Total	<u>\$ 13,611,794</u>	<u>\$ 13,045,095</u>	4.34 %

Bond Retirement Fund

The bond retirement fund had cash receipts and other financing sources of \$1,145,573 in fiscal year 2017. The cash disbursements of the bond retirement fund, totaled \$986,439 in fiscal year 2017. The bond retirement fund's cash balance increased \$159,134 from fiscal year 2016 to fiscal year 2017.

Permanent Improvement Fund

The permanent improvement fund had cash receipts and other financing sources of \$5,042,011 in fiscal year 2017. The cash disbursements of the permanent improvement fund, totaled \$1,516,504 in fiscal year 2017. The permanent improvement fund's cash balance increased \$3,525,507 from fiscal year 2016 to fiscal year 2017.

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 \$14,308,423, which were increased to \$14,458,423 in the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2017 were \$14,069,956. This represents a \$388,467 decrease from final budgeted receipts.

General fund original appropriations (appropriated cash disbursements including other financing uses) of \$18,325,800 were increased to \$20,325,800 in the final appropriations. The actual budget basis disbursements for fiscal year 2017 totaled \$18,675,266, which was \$1,650,534 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, 2017
(UNAUDITED)

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2017 and 2016.

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 6,497,802	\$ 7,192,683
Lease purchase agreement	<u>1,798,117</u>	<u>-</u>
Total long-term obligations	<u>\$ 8,295,919</u>	<u>\$ 7,192,683</u>

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

Current Financial Related Activities

In September 2015, the Swanton Local School District completed a refinancing of their 2006 school improvement refunding bonds and saved the District more than \$675,000 over the remaining life of the bonds. The bonds were originally issued to construct a new high school and provided for the improvements of various school facilities, approved by voters in November of 2000.

The refunding process is similar to refinancing a home loan to take advantage of lower interest rates, District CFO/Treasurer, Joyce Kinsman began working with Rockmill Financial Consulting, municipal advisor, during the summer of 2015 on the refinancing. A combination of low interest rates, good credit, and perfect market timing not only allowed the District to save a significant amount of interest, it also allowed the District to shorten the term of the bond issue by 1 year. The 2006 bonds had a rate of 4.08%. The new rate on the 2016 series refunding issue is 2.26%.

After two big years of deficit spending, the Swanton Local School District has had three good 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 2017, the state funding had an increase of over \$294,000 from FY16 to FY17. The District experienced a positive cash flow for fiscal year 2017 because expenses remained less than receipts.

In summer of 2014, the District and the Swanton Education Association (SEA) worked to settle a three-year contract that runs through 8/31/2017. Through this contract, SEA members are receiving 2% increase to the base teacher salary for the 2nd and 3rd year of the contract while increasing the employee share paid towards health insurance to 10% in the 3rd year of the contract. For the next SEA contract, there was an agreed to rollover of the contract with the salary schedule remaining the same. There will be a two percent ratification stipend paid to union members in September 2017.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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

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

The District was successful in asking voters to renew the \$825,000 emergency levy on the 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.

The Swanton Local School District started a building renovation project that will include additional classrooms at Crestwood Elementary and Park Elementary, 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 along facility, and upgrade the entrance vestibules at each of the three remaining educational facilities.

This project is financed through \$1.8 million lease purchase agreement financing plus \$5,395,000 from the investments of the District. This information has been included in the Five-Year Forecast to show the fiscal solvency of the District will be stable with the project.

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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 8,468,794	\$ 27,879	\$ 8,496,673
Cash with fiscal agent	1,326,595	-	1,326,595
Total assets.	<u>9,795,389</u>	<u>27,879</u>	<u>9,823,268</u>
Net cash position:			
Restricted for:			
Capital projects	782,741	-	782,741
Debt service.	1,205,932	-	1,205,932
State funded programs.	30,144	-	30,144
Federally funded programs	6,775	-	6,775
Student activities	37,515	-	37,515
Other purposes	29,753	-	29,753
Unrestricted.	<u>7,702,529</u>	<u>27,879</u>	<u>7,730,408</u>
Total net cash position.	<u>\$ 9,795,389</u>	<u>\$ 27,879</u>	<u>\$ 9,823,268</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 5,433,980	\$ 678,319	\$ 38,049	\$ -
Special	2,641,979	162,928	1,174,856	-
Vocational	1,143	-	21,737	-
Other	88,311	-	-	-
Support services:				
Pupil	809,723	-	-	-
Instructional staff	610,017	6,578	-	-
Board of education	64,292	-	-	-
Administration	1,270,054	-	3,730	-
Fiscal	428,976	-	-	-
Business	10,352	-	-	-
Operations and maintenance	1,276,393	2,275	-	-
Pupil transportation	644,954	-	26,762	-
Central	245,565	26,866	7,200	-
Operation of non-instructional services:				
Food service operations	570,452	204,008	350,565	-
Other non-instructional services	75,486	-	50,091	-
Extracurricular activities	735,727	213,210	20,691	-
Facilities acquisition and construction	2,720,796	-	-	11,000
Debt service:				
Principal retirement	303,613	-	-	-
Interest and fiscal charges	662,296	-	-	-
Issuance costs	47,450	-	-	-
Discount on lease purchase agreement	2,000	-	-	-
Total governmental activities	<u>18,643,559</u>	<u>1,294,184</u>	<u>1,693,681</u>	<u>11,000</u>
Business-type activities:				
Recreation	<u>67,399</u>	<u>67,613</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 18,710,958</u>	<u>\$ 1,361,797</u>	<u>\$ 1,693,681</u>	<u>\$ 11,000</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

Lease purchase agreement

Insurance recoveries

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>
\$ (4,717,612)	\$ -	\$ (4,717,612)
(1,304,195)	-	(1,304,195)
20,594	-	20,594
(88,311)	-	(88,311)
(809,723)	-	(809,723)
(603,439)	-	(603,439)
(64,292)	-	(64,292)
(1,266,324)	-	(1,266,324)
(428,976)	-	(428,976)
(10,352)	-	(10,352)
(1,274,118)	-	(1,274,118)
(618,192)	-	(618,192)
(211,499)	-	(211,499)
(15,879)	-	(15,879)
(25,395)	-	(25,395)
(501,826)	-	(501,826)
(2,709,796)	-	(2,709,796)
(303,613)	-	(303,613)
(662,296)	-	(662,296)
(47,450)	-	(47,450)
(2,000)	-	(2,000)
<u>(15,644,694)</u>	<u>-</u>	<u>(15,644,694)</u>
-	214	214
<u>(15,644,694)</u>	<u>214</u>	<u>(15,644,480)</u>
4,494,973	-	4,494,973
923,629	-	923,629
156,713	-	156,713
1,746,716	-	1,746,716
6,025,938	-	6,025,938
33,634	-	33,634
1,800,000	-	1,800,000
115,996	-	115,996
231,005	500	231,505
<u>15,528,604</u>	<u>500</u>	<u>15,529,104</u>
(116,090)	714	(115,376)
<u>9,911,479</u>	<u>27,165</u>	<u>9,938,644</u>
<u>\$ 9,795,389</u>	<u>\$ 27,879</u>	<u>\$ 9,823,268</u>

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

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,598,138	\$ 1,205,932	\$ 3,777,796	\$ 878,408	\$ 8,460,274
Cash and cash equivalents with fiscal agent.	1,326,595	-	-	-	1,326,595
Restricted assets:					
Equity in pooled cash and cash equivalents	8,520	-	-	-	8,520
Total assets	<u>\$ 3,933,253</u>	<u>\$ 1,205,932</u>	<u>\$ 3,777,796</u>	<u>\$ 878,408</u>	<u>\$ 9,795,389</u>
Fund cash balances:					
Restricted:					
Debt service	\$ -	\$ 1,205,932	-	\$ -	\$ 1,205,932
Capital improvements	-	-	-	782,741	782,741
Food service operations	-	-	-	20,943	20,943
Non-public schools	-	-	-	30,144	30,144
Targeted academic assistance	-	-	-	6,775	6,775
School bus purchases.	8,520	-	-	-	8,520
Extracurricular activities	-	-	-	37,515	37,515
Other purposes.	-	-	-	290	290
Committed:					
Capital improvements	-	-	3,777,796	-	3,777,796
Assigned:					
Student instruction	13,583	-	-	-	13,583
Student and staff support.	110,319	-	-	-	110,319
Subsequent year's appropriations	2,447,190	-	-	-	2,447,190
Other purposes.	36,426	-	-	-	36,426
Unassigned	<u>1,317,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,317,215</u>
Total fund cash balances	<u>\$ 3,933,253</u>	<u>\$ 1,205,932</u>	<u>\$ 3,777,796</u>	<u>\$ 878,408</u>	<u>\$ 9,795,389</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, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:					
From local sources:					
Property taxes	\$ 4,494,973	\$ 923,629	\$ 156,713	\$ -	\$ 5,575,315
Income taxes.	1,746,716	-	-	-	1,746,716
Tuition.	738,951	-	-	-	738,951
Earnings on investments	33,634	-	-	-	33,634
Charges for services	-	-	-	186,859	186,859
Extracurricular.	34,251	-	-	213,210	247,461
Classroom materials and fees	73,749	-	-	-	73,749
Other local revenues	219,678	1,800	11,000	37,840	270,318
Intergovernmental - state	6,365,267	196,939	24,298	60,385	6,646,889
Intergovernmental - federal	76,101	-	-	974,978	1,051,079
Total cash receipts	<u>13,783,320</u>	<u>1,122,368</u>	<u>192,011</u>	<u>1,473,272</u>	<u>16,570,971</u>
Cash disbursements:					
Current:					
Instruction:					
Regular.	5,398,045	-	-	35,935	5,433,980
Special	2,059,400	-	-	582,579	2,641,979
Vocational	1,143	-	-	-	1,143
Other	88,311	-	-	-	88,311
Support services:					
Pupil	809,723	-	-	-	809,723
Instructional staff	610,017	-	-	-	610,017
Board of education	64,292	-	-	-	64,292
Administration	1,266,391	-	-	3,663	1,270,054
Fiscal	404,970	20,530	3,476	-	428,976
Business.	10,352	-	-	-	10,352
Operations and maintenance	1,276,393	-	-	-	1,276,393
Pupil transportation	644,954	-	-	-	644,954
Central	238,365	-	-	7,200	245,565
Operation of non-instructional services:					
Food service operations.	-	-	-	570,452	570,452
Other non-instructional services.	20,902	-	-	54,584	75,486
Extracurricular activities.	478,577	-	-	257,150	735,727
Facilities acquisition and construction.	239,959	-	1,513,028	967,809	2,720,796
Debt service:					
Principal retirement.	-	303,613	-	-	303,613
Interest and fiscal charges	-	662,296	-	-	662,296
Issuance costs	-	-	-	47,450	47,450
Total cash disbursements	<u>13,611,794</u>	<u>986,439</u>	<u>1,516,504</u>	<u>2,526,822</u>	<u>18,641,559</u>
Excess of cash receipts over cash disbursements.	<u>171,526</u>	<u>135,929</u>	<u>(1,324,493)</u>	<u>(1,053,550)</u>	<u>(2,070,588)</u>
Other financing sources (uses):					
Sale of capital assets	40,502	-	-	-	40,502
Lease purchase agreement	-	-	-	1,800,000	1,800,000
Transfers in.	-	23,205	4,850,000	25,000	4,898,205
Transfers (out)	(4,898,205)	-	-	-	(4,898,205)
Advances in	150,180	-	-	150,000	300,180
Advances (out)	(150,000)	-	-	(150,180)	(300,180)
Discount on lease purchase agreement	-	-	-	(2,000)	(2,000)
Insurance recoveries.	115,996	-	-	-	115,996
Total other financing sources (uses)	<u>(4,741,527)</u>	<u>23,205</u>	<u>4,850,000</u>	<u>1,822,820</u>	<u>1,954,498</u>
Net change in fund cash balances	(4,570,001)	159,134	3,525,507	769,270	(116,090)
Fund cash balances at beginning of year	<u>8,503,254</u>	<u>1,046,798</u>	<u>252,289</u>	<u>109,138</u>	<u>9,911,479</u>
Fund cash balances at end of year	<u>\$ 3,933,253</u>	<u>\$ 1,205,932</u>	<u>\$ 3,777,796</u>	<u>\$ 878,408</u>	<u>\$ 9,795,389</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 4,520,134	\$ 4,520,134	\$ 4,494,973	\$ (25,161)
Income taxes	1,800,000	1,800,000	1,746,716	(53,284)
Tuition	875,000	875,000	738,951	(136,049)
Earnings on investments	92,000	92,000	114,400	22,400
Classroom materials and fees	55,000	55,000	46,659	(8,341)
Other local revenues	58,750	58,750	170,865	112,115
Intergovernmental - state	6,876,279	6,876,279	6,365,267	(511,012)
Intergovernmental - federal	25,000	25,000	76,101	51,101
Total budgetary basis receipts	<u>14,302,163</u>	<u>14,302,163</u>	<u>13,753,932</u>	<u>(548,231)</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	5,929,200	5,929,200	5,358,955	570,245
Special	2,236,069	2,236,069	2,065,524	170,545
Vocational	10,000	10,000	1,143	8,857
Other	134,425	134,425	88,573	45,852
Support services:				
Pupil	784,104	784,104	812,506	(28,402)
Instructional staff	572,702	585,202	608,136	(22,934)
Board of education	184,450	184,450	65,092	119,358
Administration	1,403,723	1,363,973	1,279,509	84,464
Fiscal	671,750	609,120	412,286	196,834
Business	10,000	10,000	10,802	(802)
Operations and maintenance	1,362,144	1,417,894	1,295,574	122,320
Pupil transportation	774,050	774,050	655,405	118,645
Central	187,315	187,315	246,970	(59,655)
Other non-instructional services	696	696	7,406	(6,710)
Extracurricular activities	387,500	421,630	479,113	(57,483)
Facilities acquisition and construction	122,672	122,672	239,959	(117,287)
Total budgetary basis disbursements	<u>14,770,800</u>	<u>14,770,800</u>	<u>13,626,953</u>	<u>1,143,847</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(468,637)</u>	<u>(468,637)</u>	<u>126,979</u>	<u>595,616</u>
Other financing sources (uses):				
Refund of prior year's expenditures	3,500	3,500	9,347	5,847
Refund of prior year's receipts	-	-	(108)	(108)
Transfers (out)	(3,550,000)	(5,550,000)	(4,898,205)	651,795
Advances in	1,760	151,760	150,180	(1,580)
Advances (out)	-	(5,000)	(150,000)	(145,000)
Insurance recoveries	-	-	115,996	115,996
Sale of capital assets	1,000	1,000	40,501	39,501
Total other financing sources (uses)	<u>(3,543,740)</u>	<u>(5,398,740)</u>	<u>(4,732,289)</u>	<u>666,451</u>
Net change in budgetary fund balance	(4,012,377)	(5,867,377)	(4,605,310)	1,262,067
Fund balance at beginning of year	6,835,823	6,835,823	6,835,823	-
Prior year encumbrances appropriated	260,481	260,481	260,481	-
Fund balance at end of year	<u>\$ 3,083,927</u>	<u>\$ 1,228,927</u>	<u>\$ 2,490,994</u>	<u>\$ 1,262,067</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, 2017

	<u>Recreation</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 27,879
Net cash position:	
Unrestricted.	\$ 27,879

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, 2017

	Recreation
Operating receipts:	
Charges for services.	\$ 67,613
Other	500
Total operating receipts	68,113
 Operating disbursements:	
Personal services.	20,947
Fringe benefits.	4,049
Purchased services.	8,899
Materials and supplies	31,900
Other.	1,604
Total operating disbursements	67,399
 Change in net cash position	714
 Net cash position at beginning of year. . .	27,165
 Net cash position at end of year	\$ 27,879

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, 2017

	Recreation
Cash flows from operating activities:	
Cash received from customers.	\$ 67,613
Cash received from other operations	500
Cash payments for salaries.	(20,947)
Cash payments for fringe benefits.	(4,049)
Cash payments for purchased services.	(8,899)
Cash payments for materials and supplies.	(31,900)
Cash payments for other expenses	(1,604)
	714
Net cash provided by operating activities.	714
Cash and cash equivalents at beginning of year . . .	27,165
Cash and cash equivalents at end of year	\$ 27,879

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, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 43,129	\$ 15,389
Net cash position:		
Held in trust for scholarships	\$ 43,129	\$ -
Held for student activities.	-	15,389
Total net cash position.	\$ 43,129	\$ 15,389

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, 2017

	Private Purpose Trust
	Scholarship
Deductions:	
Scholarships awarded	\$ 4,416
Change in net cash position	(4,416)
Net cash position at beginning of year. . .	47,545
Net cash position at end of year	\$ 43,129

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, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1887 and serves an area of approximately 42 square miles. It is located in Fulton and Lucas Counties, and includes all of the Village of Swanton and portions of Fulton, Hardin, Spencer, Swancreek, and Swanton Townships. It is staffed by 43 classified employees, 86 certified teaching personnel, and 7 administrative employees who provide services to approximately 1,348 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, 2017

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 \$61,643. 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 2017. 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, 2017

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, 2017**

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, 2017

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, 2017

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, 2017

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 2017, 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 2017 amounted to \$33,634, which includes \$14,880 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, 2017

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 2017.

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, 2017**

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

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

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

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

M. Net Cash Position

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

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

N. Parochial School

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

O. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

P. Restricted Assets

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

Q. Operating Receipts and Disbursements

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

R. Pensions

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

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 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**SWANTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At fiscal year end, the District had \$6,000 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, 2017, the carrying amount of all District deposits was \$3,985,170. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$3,568,107 of the District’s bank balance of \$4,289,086 was exposed to custodial risk as discussed below, while \$720,979 was covered by the FDIC.

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

C. Investments

As of June 30, 2017, the District had the following investments and maturities:

Investment type	Fair value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CDs	\$ 2,192,084	\$ 230,054	\$ -	\$ 498,102	\$ 250,675	\$ 1,213,253
FNMA	1,307,028	-	-	-	-	1,307,028
FHLMC	456,341	-	-	224,142	-	232,199
FFCB	304,339	-	-	304,339	-	-
FHLB	299,904	299,904	-	-	-	-
U.S. Government money market fund	4,325	4,325	-	-	-	-
Total	\$ 4,564,021	\$ 534,283	\$ -	\$ 1,026,583	\$ 250,675	\$ 2,752,480

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is 2.37 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).

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, 2017:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
Negotiable CDs	\$ 2,192,084	48.03
FNMA	1,307,028	28.64
FHLMC	456,341	10.00
FFCB	304,339	6.67
FHLB	299,904	6.57
U.S. Government money market fund	<u>4,325</u>	<u>0.09</u>
Total	<u>\$ 4,564,021</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,985,170
Cash with fiscal agent	1,326,595
Investments	4,564,021
Cash on hand	6,000
Total	<u>\$ 9,881,786</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 9,795,389
Business-type activities	27,879
Private-purpose trust fund	43,129
Agency funds	15,389
Total	<u>\$ 9,881,786</u>

NOTE 5 - INTERFUND TRANSACTIONS

During fiscal year 2017, the general fund transferred \$23,205 to the bond retirement fund for the interest due on the lease purchase agreement.

During fiscal year 2017, the general fund transferred \$4,850,000 to the permanent improvement fund for various construction projects throughout the District.

During fiscal year 2017, the general fund transferred \$25,000 to the nonmajor governmental funds to subsidize operations.

During fiscal year 2017, advances consisted of \$150,000 from the general fund to the nonmajor governmental funds, which was repaid during fiscal year 2017. During fiscal year 2017, the nonmajor governmental funds repaid an advance of \$180 to the general fund that was made in the prior fiscal year.

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
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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 2017 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 178,181,810	96.28	\$ 178,177,460	96.15
Public utility personal	<u>6,882,580</u>	<u>3.72</u>	<u>7,136,360</u>	<u>3.85</u>
Total	<u>\$ 185,064,390</u>	<u>100.00</u>	<u>\$ 185,313,820</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 62.56		\$ 62.75	

NOTE 7 - INCOME TAXES

The District levies a voted tax of 0.75% for general operations on the income of residents and of estates. The tax was effective on January 1, 2015, for a 5 year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file and annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2017, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2017</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
<u>FY06 refunding bonds</u>					
Capital appreciation bonds	\$ 374,997	\$ -	\$ (198,613)	\$ 176,384	\$ 176,384
Accreted interest	879,506	114,903	(506,387)	488,022	488,022
 <u>FY16 refunding bonds</u>					
Current interest bonds	5,940,000	-	(105,000)	5,835,000	105,000
Discount	(1,820)	-	216	(1,604)	-
Total general obligation bonds payable	<u>7,192,683</u>	<u>114,903</u>	<u>(809,784)</u>	<u>6,497,802</u>	<u>769,406</u>
 <u>Other long-term obligations:</u>					
Lease purchase agreement	-	1,800,000	-	1,800,000	160,000
Discount on lease purchase	-	(2,000)	117	(1,883)	-
Total long-term obligations governmental activities	<u>\$ 7,192,683</u>	<u>\$ 1,912,903</u>	<u>\$ (809,667)</u>	<u>\$ 8,295,919</u>	<u>\$ 929,406</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 an 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. One capital appreciation bond matured in fiscal year 2017 and the remaining capital appreciation bond will match in fiscal year 2018. The maturity amount of the remaining bond is \$705,000. For fiscal year 2017, \$114,903 was accreted for a total bond value of \$664,406 at fiscal year-end.

At June 30, 2017, \$8,060,000 of the refunded 2001 school improvement bonds was still outstanding.

At June 30, 2017, \$5,940,000 of the refunded 2006 school improvement bonds was still outstanding.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 105,000	\$ 130,338	\$ 235,338	\$ 176,384	\$ 528,616	\$ 705,000
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 - 2025	2,340,000	71,227	2,411,227	-	-	-
Total	<u>\$ 5,835,000</u>	<u>\$ 567,275</u>	<u>\$ 6,402,275</u>	<u>\$ 176,384</u>	<u>\$ 528,616</u>	<u>\$ 705,000</u>

Fiscal Year Ended	Lease Purchase Agreement		
	Principal	Interest	Total
2018	\$ 160,000	\$ 43,860	\$ 203,860
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 - 2027	950,000	61,838	1,011,838
Total	<u>\$ 1,800,000</u>	<u>\$ 238,425</u>	<u>\$ 2,038,425</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017, are a voted debt margin of \$11,872,792 and an unvoted debt margin of \$185,314.

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 2017, the District contracted for the following insurance coverage:

Coverage provided by Ohio School Plan is as follows:

General liability	
Per occurrence	\$ 3,000,000
Total per year	5,000,000
Automobile liability	3,000,000
Building and contents	63,036,445

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 2017, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

NOTE 10 - 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 under Employers/Audit Resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$235,152 for fiscal year 2017.

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 Web site at www.strsoh.org.

**SWANTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 10 - 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. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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 at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS 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 2017, 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 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$787,162 for fiscal year 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportion of the net pension liability prior measurement date	0.05604560%	0.04931887%	
Proportion of the net pension liability current measurement date	<u>0.05526670%</u>	<u>0.05030202%</u>	
Change in proportionate share	<u>-0.00077890%</u>	<u>0.00098315%</u>	
Proportionate share of the net pension liability	\$ 4,045,012	\$ 16,837,602	\$ 20,882,614

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, 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	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The 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
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - 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	\$ 5,355,344	\$ 4,045,012	\$ 2,948,210

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - PENSION PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 22,375,805	\$ 16,837,602	\$ 12,165,802

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The 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 under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$27,882, \$29,102, and \$42,102, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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	\$ (4,605,310)
Funds budgeted elsewhere **	7,159
Net adjustment for fair market value	(80,766)
Adjustment for cash with fiscal agent	53,952
Adjustment for encumbrances	54,964
Modified cash basis	\$ (4,570,001)

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

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 – CONTINGENCIES - (Continued)

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability 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	\$ 54,964
Permanent improvement	3,454,600
Nonmajor governmental	<u>825,061</u>
Total	<u>\$ 4,334,625</u>

NOTE 16 - STATUTORY RESERVES

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - STATUTORY RESERVES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	238,315
Current year qualifying disbursements	(157,762)
Current year offsets	<u>(80,553)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

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

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
TITLE I FY16	84.010	N/A	\$ 33,091	
TITLE I FY17	84.010	N/A		198,706
Total Title I				<u>231,797</u>
IDEA Part B Special Education Cluster:				
IDEA Part B Special Education	84.027	N/A	\$ 316,810	316,810
ECSE Preschool FY17	84.173	N/A	8,019	8,019
Total IDEA Part B Special Education Cluster			<u>324,829</u>	<u>324,829</u>
TITLE II-A FY17	84.367	N/A		35,936
Total Title II-A				<u>35,936</u>
Total U.S. Department of Education			324,829	592,562
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Cash Assistance				
National School Lunch Program	10.555	N/A		262,528
National School Breakfast Program	10.553	N/A		82,516
Direct Program				
Non-Cash Assistance				
National School Lunch Program - See Note E	10.555	N/A		29,693
Total U.S. Department of Agriculture				<u>374,737</u>
Total Expenditures of Federal Awards			\$ 324,829	\$ 967,299

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, 2017**

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, 2017. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The District passes certain federal awards received from 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 D - 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 E – 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.

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Certified Public Accountants

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2017, wherein we noted that District uses a special purpose framework other than generally accepted accounting principles.

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 opinion 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 internal control deficiencies 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

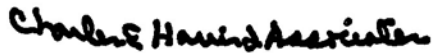
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*, which is described in the accompanying Schedule of Findings as item 2017-001.

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 *Governmental Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 16, 2017

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 Each 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 each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are 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 each of the District's major federal programs 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 our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Swanton Local School District, Fulton County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.


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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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.
November 16, 2017

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster – CFDA # 84.010 Special Education Cluster – CFDA # 84.027, 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

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

FINDING NUMBER 2017-001: 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, 2017. 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

3. FINDINGS FOR FEDERAL AWARDS

None

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance Finding – Ohio Rev. Code § 117.38 – The financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America.	Not corrected	Repeated as finding 2017-001

**SWANTON LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR 200.511(c)
JUNE 30, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	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
MARCH 8, 2018