OHIO AUDITOR OF STATE
KEITH FABER

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
JUNE 30, 2020

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Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, Ohio 43062

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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

Accounting Basis

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

Emphasis of Matter

As discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

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

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

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 9, 2021

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As management of the Southwest Licking Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020, within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

- Net position of governmental activities decreased approximately $6.9 million during the fiscal year.
- The District's general receipts are primarily property taxes, income taxes, and intergovernmental aid. These receipts represent 30%, 8%, and 45% of the total cash received, respectively, for governmental activities during the year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately $23.8 million, or 56.21 percent of total General Fund disbursements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements. The Statement of Net Position – Modified Cash Basis presents the cash balances and investments of the governmental activities of the District at year end.

The Statement of Activities – Modified Cash Basis compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds were the General Fund, Building Fund, and Classroom Facilities Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The District adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

An analysis of fiscal year 2020 in comparison with fiscal year 2019 follows for the Statement of Net Position – Modified Cash Basis:

	2020	2019	Change
Cash and Cash Equivalents and Investments	$ 102,551,050	$ 109,437,769	-6.29%
Total Assets	102,551,050	109,437,769	-6.29%
Restricted for:			
Debt Service	2,485,932	2,542,585	-2.23%
Capital Projects	68,775,270	79,729,098	-13.74%
Permanent Improvements	3,178,635	2,438,486	30.35%
Unexpended Grants	423,900	346,833	22.22%
Food Service	55,433	63,770	-13.07%
Extracurricular Activities	234,029	178,658	30.99%
Classroom Facilities Maintenance	960,386	635,053	51.23%
Other Purposes	42,279	27,306	54.83%
Unrestricted	26,395,186	23,475,980	12.43%
Total Net Position	$ 102,551,050	$ 109,437,769	-6.29%

Government-wide Financial Analysis (continued)

As mentioned previously, net position of governmental activities decreased approximately $6.9 million, or 6.3 percent, in comparison with the prior year.

A significant portion of the District's net position (74 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($26.4 million) may be used to meet the District's ongoing obligations to citizens and creditors.

An analysis of fiscal year 2020 in comparison with fiscal year 2019 follows for the Statement of Activities – Modified Cash Basis:

	2020	2019
Program Receipts		
Charges for Services	$ 1,667,152	$ 1,819,415
Operating Grants	2,600,990	2,364,672
General Receipts		
Property Taxes	24,405,412	23,565,096
Income Taxes	6,718,362	6,313,700
Grants and Entitlements	33,848,520	22,856,485
Payments in Lieu of Taxes	1,537,304	579,534
Sale of Bonds/Notes	6,954,995	-
Investment Earnings	2,401,711	2,023,485
Miscellaneous	420,577	273,404
Total Receipts	80,555,023	59,795,791
Program Disbursements		
Instructional	28,010,873	25,833,308
Support Services	16,078,405	15,457,711
Non-instructional	1,550,331	1,676,375
Extra Curricular Activites	918,849	1,080,750
Capital Outlay	33,940,400	4,540,813
Principal Payments	3,765,000	5,045,000
Interest and Fiscal Charges	2,985,981	3,077,256
Bond Issuance Costs	191,903	-
Total Disbursements	87,441,742	56,711,213
Change in Net Position	(6,886,719)	3,084,578
Net Position at Beginning of Year	109,437,769	106,353,191
Net Position at End of Year	$ 102,551,050	$ 109,437,769

Government-wide Financial Analysis (continued)

Property taxes and grants and entitlements increased in comparison with the prior fiscal. The increase is a result of the new school facilities construction and renovation bond levy and Ohio Facilities Construction Commission (OFCC) Grant proceeds received during the fiscal year.

Investment earnings increased in comparison with the prior fiscal year. This increase is the result of an increase in interest received from the investments related to the Classroom Facilities Assistance Program (CFAP) to build a new elementary school, new high school, renovate existing schools, and demolish school buildings.

Sale of Bonds/Notes receipts increased significantly due to the District issuing bonds at a premium, totaling $6,954,995, during the fiscal year, and not issuing any debt during the prior fiscal year.

Capital outlay disbursements increased significantly in comparison with the prior fiscal year. This increase is the result of additional repairs and maintenance expenditures, services related to asbestos remediation in the old buildings, and the continuance of the District's CFAP.

General receipts represent 95 percent of the District's total receipts, and of this amount, 41 percent are local taxes. State and federal grants and entitlements make up 44 percent of the District's general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction and support services, which account for 32 and 18 percent of all governmental disbursements, respectively.

The Statement of Activities 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 tax receipts and unrestricted State grants and entitlements.

	Fiscal Year 2020		Fiscal Year 2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program disbursements				
Instructional	$ 28,010,873	$ 26,235,271	$ 25,833,308	$ 24,265,664
Support services	16,078,405	15,579,908	15,457,711	14,980,749
Non-instructional	1,550,331	5,727	1,676,375	64,932
Extra Curricular Activities	918,849	469,410	1,080,750	552,712
Capital Outlay	33,940,400	33,940,400	4,540,813	4,540,813
Debt Service	6,942,884	6,942,884	8,122,256	8,122,256
Total	$ 87,441,742	$ 83,173,600	$ 56,711,213	$ 52,527,126

The dependence upon tax and other general receipts is apparent, as 94 percent of instructional activities are supported through taxes and other general receipts. For all Governmental activities, support from general receipts is 95 percent. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

Financial Analysis of the District's Funds

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

Governmental Funds

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately $102.6 million, a decrease of approximately $6.9 million in comparison with the prior fiscal year.

Of this amount, approximately $23.7 million is available for spending at the District's discretion. The remainder of fund balance is nonspendable ($27,279), restricted ($76.1 million), committed ($105,646) or assigned ($2.6 million).

An analysis of fiscal year 2020 in comparison with fiscal year 2019 follows:

Fund:	As of June 30, 2020	Restated June 30, 2019	Change
General Fund	$ 24,173,225	$ 21,093,517	14.60%
Building Fund	21,986,744	17,102,021	28.56%
Classroom Facilities Fund	46,788,526	62,627,077	-25.29%
Other Governmental Funds	9,602,555	8,615,154	11.46%
Total Fund Balance	$ 102,551,050	$ 109,437,769	-6.29%

The fund balance of the General Fund increased approximately $3.1 million during the fiscal year. General Fund receipts increased approximately $565,678, primarily as a result of an increase in property taxes. General Fund disbursements remained fairly consistent with the prior year.

The Building Fund, established in fiscal year 2017, increased by $4.9 million during the fiscal year. This increase represents the amount in which new bond proceeds ($6.5 million) and transfers in ($2.1 million) exceeded capital outlay ($4.1 million), fiscal services disbursements ($9,102), and bond issuance costs ($191,903).

The Classroom Facilities Fund, established in fiscal year 2017, decreased by $15.8 million during the fiscal year. This decrease represents the amount in which capital outlay exceeded state grants and investment earnings.

General Fund Budget Information

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

Final estimated resources were less than original estimated resources by $880,851 while final appropriations exceeded original appropriations by $936,845

Actual receipts and other financing sources exceeded the final receipts and other financing sources estimate by $749,165, primarily as a result of greater than expected property tax and intergovernmental receipts. Final appropriations exceeded actual expenditures and other financing uses by $1.3 million as a result of conservative spending.

Capital Assets

The District is not required to disclose capital assets on the modified cash basis of accounting but has elected to do so in the note disclosures. At the end of the fiscal year, the District had approximately $64.1 million (net of accumulated depreciation) invested in capital assets, an increase of approximately $32.6 million in comparison with the prior fiscal year. This increase represents the amount by which current year additions of approximately $33.9 million exceeded depreciation expense of approximately $1.2 million. Detailed information regarding capital asset activity can be found in the Note 10 to the basic financial statements.

Debt

At the end of the fiscal year, the District had total debt outstanding of approximately $89.8 million, and increase of approximately $2.6 million from fiscal year 2019. This increase represents the amount in which current year additions of $6.5 million exceeded current year principal payments and premium amortization of approximately $3.9 million.

Detailed information regarding long-term obligations can be found in Note 11 to the basic financial statements. At fiscal year-end, the District was not subject to state consents/special needs approval due to its participation in a Commission program and qualifying for an exception to the approval requirements.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, 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 any questions about this report or need additional financial information you may contact Richard D. Jones, Treasurer/CFO, Southwest Licking Local School District, 927-A South Street, Pataskala, Ohio 43062 or E-Mail at rdjones@laca.org.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY

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

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 58,362,471
Investments	44,159,911
Cash in a Segregated Account	1,389
Restricted Cash and Cash Equivalents	27,279
Total Assets	102,551,050
Net Position	
Restricted for:	
Debt Service	2,485,932
Capital Projects	68,775,270
Permanent Improvements	3,178,635
State and Federal Grants	423,900
Food Services	55,433
Extracurricular Activities	234,029
Classroom Facilities Maintenance	960,386
Other Purposes	42,279
Unrestricted	26,395,186
Total Net Position	$ 102,551,050

See accompanying notes to the basic financial statements.

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SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY

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

		Program Receipts		Net Receipts (Disbursements) and Changes in Net Position
	Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular Instruction	$ 17,278,473	$ 268,767	$ 19,928	$ (16,989,778)
Special Instruction	8,310,470	110,431	1,267,235	(6,932,804)
Vocational Instruction	504,888	7,863	-	(497,025)
Other Instruction	1,917,042	28,510	72,868	(1,815,664)
Support Services				
Pupils	2,677,439	40,494	64,521	(2,572,424)
Instructional Staff	1,674,577	19,694	182,547	(1,472,336)
Board of Education	96,221	1,498	-	(94,723)
Administration	3,622,079	71,565	1,498	(3,549,016)
Fiscal Services	1,110,195	15,205	-	(1,094,990)
Business Operations	61,142	833	-	(60,309)
Operation and Maintenance of Plant	2,990,371	44,187	-	(2,946,184)
Pupil Transportation	3,458,304	49,451	-	(3,408,853)
Central	388,077	5,859	1,145	(381,073)
Non-instructional	1,550,331	591,684	952,920	(5,727)
Extra Curricular Activities	918,849	411,111	38,328	(469,410)
Capital Outlay	33,940,400	-	-	(33,940,400)
Principal Payments	3,765,000	-	-	(3,765,000)
Interest and Fiscal Charges	2,985,981	-	-	(2,985,981)
Bond Issuance Costs	191,903	-	-	(191,903)
Total Governmental Activities	$ 87,441,742	$ 1,667,152	$ 2,600,990	(83,173,600)

General Receipts	
Property Taxes Levied for:	
General Purposes	17,454,679
Debt Service	5,324,436
Capital Projects	1,626,297
Income Taxes	6,718,362
Grants & Entitlements not Restricted	33,848,520
Payment in Lieu of Taxes	1,537,304
Proceeds from Sale of Bonds/Notes	6,954,995
Investment Earnings	2,401,711
Miscellaneous	420,577
Total General Receipts	76,286,881
Change in Net Position	(6,886,719)
Net Position Beginning of Year	109,437,769
Net Position End of Year	$ 102,551,050

See accompanying notes to the basic financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020

	General Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds
Assets:				
Cash and Cash Equivalents	$ 24,145,946	$ 9,624,648	$ 14,990,711	$ 9,601,166
Investments	-	12,362,096	31,797,815	-
Cash in a Segregated Account	-	-	-	1,389
Restricted Cash and Cash Equivalents	27,279	-	-	-
Total Assets	$ 24,173,225	$ 21,986,744	$ 46,788,526	$ 9,602,555
Fund Balances:				
Nonspendable:				
Unclaimed Monies	$ 27,279	$ -	$ -	$ -
Restricted for:				
Debt Service	-	-	-	2,485,932
Capital Projects	-	21,986,744	46,788,526	-
Permanent Improvements	-	-	-	3,178,635
State and Federal Grants	-	-	-	423,900
Food Services	-	-	-	55,433
Extracurricular Activities	-	-	-	234,029
Classroom Facilities Maintenance	-	-	-	960,386
Other Purposes	233	-	-	15,000
Committed for:				
Underground Storage	11,000	-	-	-
Capital Projects	94,646	-	-	-
Assigned for:				
School Support	88,398	-	-	-
Instruction	25,283	-	-	-
Support Services	88,612	-	-	-
Capital Projects	-	-	-	2,410,000
Unassigned	23,837,774	-	-	(160,760)
Total Fund Balances	24,173,225	21,986,744	46,788,526	9,602,555
Total Fund Balances	$ 24,173,225	$ 21,986,744	$ 46,788,526	$ 9,602,555

See accompanying notes to the basic financial statements.

Total Governmental Funds
$ 58,362,471
44,159,911
1,389
27,279
$ 102,551,050
$ 27,279
2,485,932
68,775,270
3,178,635
423,900
55,433
234,029
960,386
15,233
11,000
94,646
88,398
25,283
88,612
2,410,000
23,677,014
102,551,050
$ 102,551,050

See accompanying notes to the basic financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY

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

	General Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds
Receipts:				
Property Taxes	$ 17,454,679	$ -	$ -	$ 6,950,733
Income Taxes	6,718,362	-	-	-
Payments in Lieu of Taxes	-	-	-	1,537,304
Intergovernmental	19,474,470	-	13,849,193	3,086,049
Charges for Services	15,184	-	-	587,296
Interest	618,590	408,445	1,281,302	93,374
Tuition and Fees	649,173	-	-	-
Extracurricular Activities	119,289	-	-	253,795
Donations	43,115	-	-	14,183
Other	267,913	-	-	44,799
Total Receipts	45,360,775	408,445	15,130,495	12,567,533
Disbursements:				
Instruction:				
Regular	17,257,809	-	-	20,664
Special	7,090,878	-	-	1,219,592
Vocational	504,888	-	-	-
Other	1,830,680	-	-	86,362
Support services:				
Pupils	2,600,164	-	-	77,275
Instructional Staff	1,264,598	-	-	409,979
Board of Education	96,221	-	-	-
Administration	3,620,301	-	-	1,778
Fiscal Services	976,355	9,102	27,313	97,425
Business Operations	53,481	-	-	7,661
Operation and Maintenance of Plant	2,837,278	-	-	153,093
Pupil Transportation	3,175,280	-	-	283,024
Central	376,197	-	-	11,880
Non-instructional Services	7,025	-	-	1,543,306
Extracurricular Activities	672,365	-	-	246,484
Capital Outlay	48,521	4,099,083	28,952,676	840,120
Debt service:				
Principal Retirement	-	-	-	3,765,000
Interest and Fiscal Charges	-	-	-	2,985,981
Bond Issuance Costs	-	191,903	-	-
Total Disbursements	42,412,041	4,300,088	28,979,989	11,749,624
Excess (Deficiency) of Receipts Over (Under) Disbursements	2,948,734	(3,891,643)	(13,849,494)	817,909
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	64	-	-	1,806
Insurance Proceeds	130,910	-	-	-
Premium on Bonds/Notes	-	210,687	-	244,308
Proceeds from the Sale of Bonds/Notes	-	6,500,000	-	-
Transfers In	-	2,065,679	-	1,197,172
Transfers Out	-	-	(1,989,057)	(1,273,794)
Total Other Financing Sources (Uses)	130,974	8,776,366	(1,989,057)	169,492
Net Change in Fund Balances	3,079,708	4,884,723	(15,838,551)	987,401
Fund Balance Beginning of Year	21,093,517	17,102,021	62,627,077	8,615,154
Fund Balance End of Year	$ 24,173,225	$ 21,986,744	$ 46,788,526	$ 9,602,555

See accompanying notes to the basic financial statements.

Total Governmental Funds
$ 24,405,412
6,718,362
1,537,304
36,409,712
602,480
2,401,711
649,173
373,084
57,298
312,712
73,467,248
17,278,473
8,310,470
504,888
1,917,042
2,677,439
1,674,577
96,221
3,622,079
1,110,195
61,142
2,990,371
3,458,304
388,077
1,550,331
918,849
33,940,400
3,765,000
2,985,981
191,903
87,441,742
(13,974,494)
1,870
130,910
454,995
6,500,000
3,262,851
(3,262,851)
7,087,775
(6,886,719)
109,437,769
$ 102,551,050

See accompanying notes to the basic financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY

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

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Property Taxes	$ 17,116,993	$ 17,116,993	$ 17,454,679	$ 337,686
Income Taxes	6,725,035	6,725,035	6,718,362	(6,673)
Intergovernmental	20,143,059	19,287,014	19,474,470	187,456
Charges for Services	13,000	13,000	15,184	2,184
Earnings on Investments	475,000	475,000	616,250	141,250
Tuition & Fees	709,597	687,197	649,173	(38,024)
Extracurricular Activities	146,421	146,421	104,088	(42,333)
Donations	60,000	60,000	17,500	(42,500)
Miscellaneous	159,906	157,500	245,196	87,696
Total Receipts	45,549,011	44,668,160	45,294,902	626,742
Disbursements:				
Instruction:				
Regular	17,136,760	17,367,478	17,258,055	109,423
Special	6,836,062	7,227,260	7,114,549	112,711
Vocational	580,684	580,684	506,255	74,429
Other	1,737,094	1,728,929	1,830,680	(101,751)
Support Services:				
Pupils	2,617,438	2,643,469	2,600,164	43,305
Instructional Staff	1,356,300	1,357,100	1,267,786	89,314
Board of Education	100,687	117,087	101,221	15,866
Administration	3,656,238	3,833,559	3,687,926	145,633
Fiscal	1,015,935	1,019,635	983,855	35,780
Business	61,270	59,361	53,481	5,880
Operation and Maintenance of Plant	3,112,991	3,186,488	2,842,313	344,175
Pupil Transportation	3,292,619	3,299,153	3,175,450	123,703
Central	477,090	477,090	376,197	100,893
NonInstructional Services	11,500	19,000	7,025	11,975
Extracurricular Activities	624,736	637,956	600,337	37,619
Capital Outlay	162,646	162,646	143,167	19,479
Total Disbursements	42,780,050	43,716,895	42,548,461	1,168,434
Excess of Receipts Over (Under) Disbursements	2,768,961	951,265	2,746,441	1,795,176
Other Financing Sources (Uses):				
Sale of Capital Assets	5,000	5,000	64	(4,936)
Insurance Proceeds	-	-	130,910	130,910
Transfers -In	515,232	515,232	511,681	(3,551)
Transfers -Out	(604,279)	(604,279)	(511,681)	92,598
Total Other Financing Sources (Uses)	(84,047)	(84,047)	130,974	215,021
Net Change in Fund Balance	2,684,914	867,218	2,877,415	2,010,197
Fund Balances at Beginning of Year	20,672,816	20,672,816	20,672,816	-
Prior Year Encumbrances Appropriated	315,055	315,055	315,055	-
Fund Balances at End of Year	$ 23,672,785	$ 21,855,089	$ 23,865,286	$ 2,010,197

See accompanying notes to the basic financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MODIFIED CASH BASIS - FIDUCIARY FUNDS
AS OF JUNE 30, 2020

	Agency Fund
Assets	
Cash and Cash Equivalents	$ 38,830
Total Assets	$ 38,830
Liabilities	
Held for Student Liabilities	$ 38,830
Total Liabilities	$ 38,830

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY

The Southwest Licking 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 five member Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and federal guidelines.

The District was established in 1953 through the consolidation of existing land areas and school districts. The District serves an area of approximately 65 square miles. It is located in Licking County, and includes the City of Pataskala, the Village of Kirkersville, and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The District is staffed by 201 classified personnel and 280 certified full-time personnel who provide services to 4,682 students and other community members. The District currently operates six instructional buildings, one administrative building, and one support service building.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District 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.

The following activities are included within the reporting entity:

> **Private School** – Liberty Christian Academy, a private school, operates within the District's boundaries. Current state legislation provides funding to the private school. This money is received and disbursed on behalf of the private school by the Treasurer of the District, as directed by the private school in accordance with State rules and regulations. This activity is reflected in a special revenue fund in Other Governmental Funds for financial reporting purposes.

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the District's accounting policies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position – Modified Cash Basis and a Statement of Activities – Modified Cash Basis, and fund financial statements – modified cash basis which provide a more detailed level of financial information.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities (the District has none), which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities – Modified Cash Basis compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

(b) Fund Accounting

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Fund Accounting (Continued)

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions, such as governmental funds. The District only reports the following major governmental funds:

> *General Fund* — The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, 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.
>
> *Building Fund* — The Building Fund is used to account for monies received and expended in connection with the renovation and construction of District buildings.
>
> *Classroom Facilities Fund* — The Classroom Facilities Fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

Other Governmental Funds of the District account for specific revenue sources that are restricted for specified purposes, and funds assigned by the District for capital projects. These funds are aggregated and shown in a single column on the financial statements.

Proprietary Funds – Proprietary funds consist of enterprise funds, which are used to report any activity for which a fee is charged to external users for goods or services, and internal service funds, which are used to allocate costs of centralized services. The District reports no proprietary funds.

Fiduciary Funds — Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. Fiduciary funds include pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District's only fiduciary funds are agency funds which account for student activities and OHSAA activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Accounting

Although required by Ohio Administrative Code 117-2-03(B) to prepare its annual financial statements and notes in accordance with GAAP, the District chooses to prepare its financial statements using the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. With the exception of investment purchases and sales, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain assets and deferred outflows and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows 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.

(d) Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, each of which are prepared on the budgetary basis of accounting. 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 has been established by the Board of Education at the fund level for all funds. Although the legal level of control was established at the fund level of expenditures, the District has elected to present the budgetary statement comparison at the fund and function level of disbursements for the General Fund. Any budgetary modifications at the fund level may only be made by the Board of Education. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the year if the projected increases or decreases in receipt 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 amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Cash and Cash Equivalents" on the financial statements. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During the fiscal year, the District invested in money market funds, certificates of deposit, commercial paper, federal agency securities, US Treasury securities, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported cost, except for the money market fund and STAR Ohio. The District's money market fund investment is recorded at the amount reported by US Bank.

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. These funds include the General Fund, Permanent Improvement Fund, Food Service, Public School Support, District Managed Student Activities and Auxiliary Services. In addition, interest earnings on Debt Service Fund investments are recorded entirely in the General Fund. Of the amount reported in the General Fund, approximately $106,386 was assigned from other District funds.

(f) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District's restricted assets consist of unclaimed funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(h) Capital Assets and Depreciation

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Capital assets are defined as assets with an initial, individual cost of more than $5,000. These items are not reflected as assets in the accompanying financial statements. Depreciation has not been reported for any capital assets.

Useful lives for capital assets are as follows:

Land Improvements	10 - 30
Buildings and Improvements	20 - 40
Furniture, Fixtures and Equipment	5 - 20
Vehicles	5 - 10

(i) Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

(j) Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions consist of pension and postretirement health care benefits.

(k) Long-Term Obligations

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

(l) Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net cash position is available. On the government-wide Statement of Net Position, none of the restricted net position is a result of enabling legislation. Net position restricted for other purposes primarily represents unclaimed funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fund Balances

In accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District's Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when disbursements are incurred for purposes for which both 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. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Interfund Transactions

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 cash disbursements to the funds that initially paid for them are not presented in the basic financial statements. Interfund activity between governmental funds is eliminated on the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis.

(o) Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 – COMPLIANCE

A. Financial Statement Reporting

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 inflows, liabilities, deferred outflows, 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 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budget basis and modified cash basis is that encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (modified cash basis).

A reconciliation of the modified cash and budgetary statements of the General Fund is as follows:

Change in Fund Balance - Modified Cash Basis	$ 3,079,708
Public School Support Fund	6,248
Encumbrances	(208,541)
Change in Fund Balance- Budgetary Basis	$ 2,877,415

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund and Underground Storage Tank Fund, no longer meet the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these funds are presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the General Fund, without modification for the funds no longer meeting the special revenue criteria.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage 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 the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain banker's acceptance (for a period not to exceed one hundred eighty days) and commercial paper noted (for a period not to exceed two hundred seventy days) in amount not to exceed 40 percent of the interim monied available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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.

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.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

***Custodial Credit Risk* -** Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, the carrying amount of the District's deposits was $7,414,312 and the bank balance was $9,169,887. Of the District's bank balance, $8,891,692 was covered by Federal Deposit Insurance Corporation (FDIC) and the remaining balance was uninsured and collateralized. The District's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

1. Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

The fair value of these investments is not materially different than measurement value.

At fiscal year end, the District had the following investments:

			Maturities	
Investment Type	Value	Percent of Total	Within 1 Year	Within 2-5 Years
STAR Ohio	$ 32,594,605	34%	$ 32,594,605	$ -
Money Market Funds	730,766	1%	730,766	-
Commercial Paper	13,627,285	14%	13,627,285	-
Certificate of Deposit	18,790,221	20%	4,752,219	14,038,002
Federal Agency Securities	20,881,462	22%	11,743,470	9,137,992
US Treasury Securities	8,551,229	9%	8,551,229	-
Total	$ 95,175,568	100%	$ 71,999,574	$ 23,175,994

***Interest Rate Risk* -** The District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he does not reasonably believe can be held until the maturity date.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

***Credit Risk* –** At fiscal year-end, the District's investments in STAR Ohio, federal agency securities, US Treasury securities, commercial paper and money market funds were rated AAAm, AA, AAA, A1 and AAA by Standard & Poor's, respectively. The District's negotiable certificates of deposit were not rated. The District has no investment policy that addresses credit risk.

***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. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the fair value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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 credit 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 it may invest in any one issuer except for commercial paper. The Treasurer may not invest an amount that exceeds 10 percent of the outstanding commercial paper of the issuing entity. The District's investments in the categories of STAR Ohio, commercial paper, certificates of deposit, and federal agency securities exceeded 5 percent of the District's total investments.

NOTE 6 – INCOME TAXES

The District levies a voted continuing tax of .75 percent for general operations on the income of residents and of estates. The tax went into effect on February 15, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

NOTE 7 – TAX ABATEMENTS

Under Community Reinvestment Area (CRA) property tax abatement agreements entered into by Etna Township, the District's property tax revenues were reduced by $2,468,420 during the fiscal year. If these property values were not abated, the property values would be included in the calculation of the District Local Wealth Per Pupil and could have had a negative impact on the amount of school foundation the school district receives. In connection with the District's approval of the CRA agreements, the District receives income tax sharing compensation from Etna Township through Joint Economic Development Zone (JEDZ) contracts administered by the City of Newark. In addition, the District has entered into a compensation agreement with Etna Retail DC LLC to provide an annual donation of $24,566 during the fifteen years term of the agreement. During the fiscal year, the District received $1,474,080 and $24,566 under the JEDZ Contract and Etna Retail DC LLC agreement, respectively.

NOTE 8 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2020 represent collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2020 represent collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, and are collected in 2020 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. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually.

If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residental	$ 584,034,470	81.35%	$ 607,228,010	80.49%
Commercial/Industrial and Public Utility Real	94,454,745	13.16%	98,206,942	13.02%
Public Utility Personal	39,429,440	5.49%	49,018,250	6.50%
Total	$ 717,918,655	100.00%	$ 754,453,202	100.00%
Tax rate per $1,000 of assessed valuation	$ 41.50		$ 41.40	

NOTE 9 – TRANSFERS

The District makes all debt service payments from the Debt Service Fund. The Permanent Improvement Fund subsequently reimburses the Debt Service Fund for payments made on the Permanent Improvement Tax Anticipation Notes. During fiscal year 2020, the Permanent Improvement Fund reimbursed the Debt Service Fund $886,637.

During the fiscal year, the District transferred $76,622 from the Permanent Improvement Fund to the Building Fund for the purpose of financing projects related to the District's school buildings.

During the fiscal year, the District transferred $1,989,057 from the Classroom Facilities Fund to the Building Fund for the purpose of financing projects related to the District's school buildings.

During the fiscal year, the District transferred $310,535 from the Permanent Improvement Fund to the Classroom Facilities Maintenance fund for the purpose of maintenance to classroom facilities.

NOTE 10 – CAPITAL ASSETS

The District has elected to disclose capital assets, and the activity for the fiscal year follows:

	Beginning Balance	Adjustment	Restated Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Captial Assets						
Land	$ 4,102,600	$ -	$ 4,102,600	$ -	$ -	$ 4,102,600
Construction in Progress	5,490,895	-	5,490,895	33,466,962	-	38,957,857
Total Nondepreciable Assets	9,593,495	-	9,593,495	33,466,962	-	43,060,457
Depreciable Capital Assets						
Land Improvements	1,474,259	-	1,474,259	-	-	1,474,259
Buildings	35,781,910	-	35,781,910	-	-	35,781,910
Furniture and Equipment	4,469,937	-	4,469,937	-	-	4,469,937
Vehicles	3,977,924	-	3,977,924	377,738	-	4,355,662
Total Depreciable Assets	45,704,030	-	45,704,030	377,738	-	46,081,768
Less Accumulated Depreciation						
Land Improvements	(1,037,389)	1,354	(1,036,035)	(54,078)	-	(1,090,113)
Buildings	(15,953,727)	13,436	(15,940,291)	(828,612)	-	(16,768,903)
Furniture and Equipment	(4,048,995)	6,464	(4,042,531)	(79,821)	-	(4,122,352)
Vehicles	(2,844,661)	29,025	(2,815,636)	(267,504)	-	(3,083,140)
Total Accumulated Depreciation	(23,884,772)	50,279	(23,834,493)	(1,230,015)	-	(25,064,508)
Depreciable Capital Assets, Net of Accumulated Depreciation	21,819,258	50,279	21,869,537	(852,277)	-	21,017,260
Total Capital Assets, Net	$ 31,412,753	$ 50,279	$ 31,463,032	$ 32,614,685	$ -	$ 64,077,717

NOTE 11 – LONG TERM OBLIGATIONS

A summary of changes in long-term obligations for the fiscal year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Refunding Bonds Series 2013A					
Current Interest Bonds (2.0-3.0%)					
maturing 12/1/2022	1,895,000	-	(425,000)	1,470,000	450,000
Refunding Bonds Series 2015					
Current Interest Bonds (2.0-4.0%)					
maturing 12/1/2021	3,705,000	-	(1,210,000)	2,495,000	1,235,000
Bonds Series 2017A					
Current Interest Bonds (2.0-5.0%)					
maturing 11/1/2054	53,780,000	-	-	53,780,000	-
Bonds Series 2017B					
Current Interest Bonds (2.0-5.0%)					
maturing 11/1/2054	22,085,000	-	(1,300,000)	20,785,000	900,000
Tax Anticipation Notes					
Maturing 12/1/2019 (2.0-5.0%)	345,000	-	(345,000)	-	-
Tax Anticipation Notes					
Maturing 12/1/2021 (2.0-3.0%)	1,130,000	-	(370,000)	760,000	375,000
Tax Anticipation Notes					
Maturing 12/1/2025 (1.25-5.0%)	860,000	-	(115,000)	745,000	115,000
Bonds and Notes Payable	83,800,000	-	(3,765,000)	80,035,000	3,075,000
Direct Borrowings and Placements					
Certificate of Participation, Series 2020	-	6,500,000	-	6,500,000	355,000
Total	-	6,500,000	-	6,500,000	355,000
Refunding Bonds Series 2015					
Current Interest Bonds Premium	104,879	-	(41,951)	62,928	-
Bonds Series 2017A					
Current Interest Bonds Premium	2,538,824	-	(71,516)	2,467,308	-
Bonds Series 2017B					
Current Interest Bonds Premium	696,661	-	(19,624)	677,037	-
2016 Tax Anticipation Notes					
Premium	44,306	-	(6,816)	37,490	-
Total Long Term Obligations	87,184,670	6,500,000	(3,904,907)	89,779,763	3,430,000

NOTE 11 – LONG TERM OBLIGATIONS (Continued)

Refunding Bonds, Series 2013A - On October 10, 2013, the District current refunded the 2003A and 2003B bonds issuance and issued $2,294,999 in bonds with varying interest rate of 2.0-3.0 percent. The bonds consisted of serial and capital appreciation bonds in the amounts of $2,010,000 and $284,999, respectively. The bonds were sold at a premium of $105,544 with associated issuance costs of $56,492. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $256,703. The capital appreciation bonds of $284,999 matured at $405,000 on December 1, 2019. As of the maturity date, accumulated accretion on the capital appreciation bonds was $120,001. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

Refunding Bonds, Series 2015 - On September 9, 2015, the District current refunded the 2005 bond issuance and issued $4,960,000 in bonds with an interest rate of 2.0-4.0 percent. The bonds were sold at a premium of $251,711 with associated issuance costs of $64,360. The current refunding resulted in a cash flow savings value of $680,139 with a net present value of $639,494. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

2017A School Facilities Construction and Improvement Bonds - On September 14, 2017, the District issued School Facilities Construction and Improvement Bonds for $53,780,000, with a varying interest rate of 2.0-5.0 percent, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bonds have a final maturity during fiscal year 2055. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

2017B School Facilities Construction and Improvement Bonds - On September 14, 2017, the District issued School Facilities Construction and Improvement Bonds for $24,585,000, with a varying interest rate of 2.0-5.0 percent, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bonds have a final maturity during fiscal year 2055. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

Tax Anticipation Notes - In fiscal year 2010, the District issued Tax Anticipation Notes in anticipation of the collection of the proceeds of a two and eight tenths (2.80) mill permanent improvement levy approved by the electors of the District at the election held May 5, 2009. The note matures December 1, 2019 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on December 1, 2009. The debt is being repaid through the bond retirement Debt Service Fund, and reimbursed by tax receipts received in the Permanent Improvement Fund.

NOTE 11 – LONG TERM OBLIGATIONS (Continued)

In fiscal year 2012, the District issued an additional $3,535,000 in Tax Anticipation Notes in anticipation of the collection of the proceeds of a two and eight tenths (2.80) mill permanent improvement levy approved by the electors of the District at the election held May 5, 2009. The note matures December 1, 2021 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on June 1, 2012. The debt is being repaid through the bond retirement Debt Service Fund, and reimbursed by tax receipts received in the Permanent Improvement Fund.

In fiscal year 2016, the District issued an additional $1,210,000 in Tax Anticipation Note in anticipation of the collection of the proceeds of a two and eight tenths (2.80) mill permanent improvement levy approved by the electors of the District at the election held May 5, 2009. The note matures December 1, 2025 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on June 1, 2016. The debt is being repaid through the bond retirement Debt Service Fund, and reimbursed by tax receipts received in the Permanent Improvement Fund.

Loans/Bonds from Direct Borrowings and Placements – In fiscal year 2020, the District issued $6,500,000 in Certificates of Participation for the purpose of construction, improving, furnishing, and equipping of school facilities. The Certificates have a final maturity year of 2040.

Debt service requirements to maturity on the bonds and notes are as follows:

Fiscal Year	Principal	Interest	Total
2021	3,430,000	3,036,826	6,466,826
2022	3,455,000	3,054,183	6,509,183
2023	1,615,000	2,978,544	4,593,544
2024	1,660,000	2,938,063	4,598,063
2025-2029	8,900,000	13,889,162	22,789,162
2030-2034	10,795,000	11,976,893	22,771,893
2035-2039	13,000,000	9,734,305	22,734,305
2040-2044	13,675,000	7,213,975	20,888,975
2045-2049	14,570,000	4,622,089	19,192,089
2050-2054	12,550,000	2,033,097	14,583,097
2055	2,885,000	62,363	2,947,363
Total	$ 86,535,000	$ 61,539,500	$ 148,074,500

The Ohio Revised Code provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The effects of these laws at fiscal year-end are a voted debt limit of $67,900,788 and an unvoted debt limit of $754,453. At fiscal year-end, the District was not subject to state consents/special needs approval due to its participation in a Commission program and qualifying for an exception to the approval requirements. The aggregate amount of the District’s unvoted debt is also subject to overlapping debt restrictions with various governmental entities. At fiscal year-end, these entities have complied with the requirements that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

NOTE 12 – DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

The net pension/OPEB liability (asset) 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/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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/OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a statewide, 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.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

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

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

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 30 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The District's contractually required contribution to SERS was $920,376 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. 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.

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.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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 the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $2,813,388 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.17862090%	0.15738843%	
Prior Measurement Date	0.17857350%	0.15601846%	
Change in Proportionate Share	0.00004740%	0.00136997%	
Proportionate Share of the Net Pension Liability	$ 10,687,202	$ 34,805,505	$ 45,492,707

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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

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.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

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 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

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

The long-term return expectation for the investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings 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 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 District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District'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	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	$ 14,976,590	$ 10,687,202	$ 7,090,012

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability	$ 50,864,367	$ 34,805,505	$ 21,210,855

NOTE 13 – DEFINED BENEFIT OPEB PLANS

See Note 12 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was $19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was $78,923.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

Net OPEB Liability (Asset)

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

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.18144430%	0.15738843%
Prior Measurement Date	0.18064400%	0.15601800%
Change in Proportionate Share	0.00080030%	0.00137043%
Proportionate Share of the Net OPEB Liability (Asset)	$ 4,562,943	$ (2,606,723)

Actuarial Assumptions - SERS

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

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent).

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	$ 5,538,547	$ 4,562,943	$ 3,787,223

	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	$ 3,655,841	$ 4,562,943	$ 5,766,446

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	Initial	Ultimate
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability (Asset)	$ (2,224,325)	$ (2,606,730)	$ (2,928,243)

	1% Decrease	Current Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability (Asset)	$ (2,955,912)	$ (2,606,730)	$ (2,179,066)

NOTE 14 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the District purchased insurance coverage from EMC Insurance. Coverage provided by EMC Insurance is as follows:

Property Coverage	
Building and Business Personal Property - Replacement Cost	$94,166,018
Equipment Breakdown	Included
General Liability Coverage	
Bodily Injury and Property Damage Limit (each offense)	$1,000,000
Personal and Advertising Injury Limit (each offense)	$1,000,000
General Aggregate Limit	$2,000,000
Products-Completed Operations Aggregate Limit	$2,000,000
Auto Coverage (per accident or “loss”)	
Liability	$1,000,000
Umbrella/Liability Coverage	
Each Occurrence Limit	$5,000,000
Aggregate Limit	$5,000,000
Employer’s Liability – Stop Gap Coverage	
Bodily Injury By Accident – Each Accident	$1,000,000
Bodily Injury By Disease – Each Employee	$1,000,000
Aggregate Limit	$3,000,000

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The District is a participant in the Licking Area Computer Association (LACA). LACA is an association which services 30 entities within the boundaries of Licking, Perry, Fairfield, Knox, Medina, and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. 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 school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The District's total payments to LACA for fiscal year 2020 were $196,592.

Financial statements for LACA can be obtained from their fiscal agent, the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

B. META Solutions (formerly Tri-Rivers Educational Computer Association (TRECA))

The District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. Each year, the participating school district's pay a membership fee to META to cover the costs of administering the program. In fiscal year 2020, the District made no payments to META. Financial information can be obtained by META's CFO, 100 Executive Drive, Marion, Ohio 43302.

NOTE 16 – RELATED ORGANIZATION

Pataskala Public Library - The Pataskala Public Library is statutorily created as a separate and distinct political subdivision. Seven trustees of the District Library are appointed by the District. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Due process is required to remove Board members. No subsidies are provided by the District.

NOTE 17 – SET ASIDES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years.

The following modified cash basis information describes the change in the fiscal year-end set-aside amounts for the Capital Acquisition Reserves:

Set-aside cash balance as of June 30, 2019	$ -
Current fiscal year set-aside requirement	753,985
Current Year Offsets	(1,837,635)
Total	$ (1,083,650)
Balance Carried Forward to Fiscal Year 2021	$ -

During fiscal year 2018, the District issued $78,365,000 in capital related debt based on a building project under taken by the District. Those proceeds may be used as qualifying offsets to reduce the capital acquisition to zero for future years. At June 30, 2020, the District still has $74,565,000 in qualifying proceeds that may be used to reduce the set-aside requirement for future years.

NOTE 18 – CONTINGENCIES

(a) **Grants -** The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

(b) **Litigation -** The District is not party to any litigation that, in the opinion of management, would have a material effect on the financial statements.

(c) **School District Foundation -** 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 a result of the FY20 Foundation reviews, the District is due $106,377 from ODE. This amount has not been included in the financial statements.

NOTE 19 – CONTRACTUAL COMMITMENTS

At fiscal year-end, the District has commitments with the following companies:

Vendor	Contract Amount	Amount Paid As of June 30, 2020	Amount Remaining on Contract
Robertson Construction Services, Inc.	$ 73,387,201	$ 35,574,248	$ 37,812,953
Garmann/Miller & Associates, Inc.	10,100,497	6,116,897	3,983,600
Hill International, Inc.	1,200,195	383,176	817,019
Gandee & Associates, Inc.	60,726	31,789	28,937
Four Seasons Environmental, Inc.	438,297	62,745	375,552
Miles McClellan Construction	1,640,870	1,546,224	94,646
Total	$ 86,827,786	$ 43,715,079	$ 43,112,707

Contractual Commitments are primarily a result of the District's ongoing Ohio School Facilities Project.

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Encumbrances as of fiscal year end in the General Fund, Permanent Improvement Fund, Building Fund, Classroom Facilities Fund, and Other Governmental Funds were $208,541, $1,455,892, $10,955,620, $35,367,141, and $12,445, respectively.

NOTE 20 – RECLASSIFICATIONS OF FUND BALANCE

The District's Debt Service and Permanent Improvement Funds are not required to be reported as a major funds in fiscal year 2020. Therefore the District reclassified the Debt Service and Permanent Improvement Funds to Other Governmental Funds. The reclassification of the fund balance resulted in changes to beginning of year balances as detailed below:

	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds
Fund Balance, June 30, 2019	$ 2,542,585	$ 2,438,486	$ 3,634,083
Reclassification of Fund	(2,542,585)	(2,438,486)	4,981,071
Fund Balance, July 1, 2019	$ -	$ -	$ 8,615,154

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2020, the District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

NOTE 22 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plan in which the District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. The District plans to begin the year utilizing remote learning, with a shift back into school buildings as soon as possible.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**		**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	$	87,577
COVID-19 School Breakfast Program		$	6,818
National School Lunch Program (Non-Cash Assistnace)	10.555	$	122,152
National School Lunch Program	10.555	$	418,560
COVID-19 National School Lunch Program		$	49,509
Total Child Nutrition Cluster		$	684,616
Total U.S. Department of Agriculture		$	684,616
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	$	461,165
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027	$	1,023,565
Early Childhood Special Education	84.173	$	28,318
Total Special Education Cluster		$	1,051,883
English Language Acquisition State Grants	84.365	$	4,953
Improving Teacher Quality State Grants	84.367	$	114,312
Student Support and Academic Enrichment Program	84.424	$	27,321
Total U.S. Department of Education		$	2,711,517
Total Expenditures of Federal Awards		$	2,344,250

The accompanying notes are an integral part of this schedule.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY

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

NOTE A – BASIS OF PRESENTATION

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

NOTE C - 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 D – 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.

The Co-op used by the District is administered by HPS and is part of the EPC/MEC buying group.

NOTE E - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020 programs:

Program Title	CFDA Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	$ 37,565
Special Education Grants to States	84.027	$ 25,038
IDEA Early Childhood Special Education	84.173	$ 1,810
Language Instruction for English Learners	84.365	$ 1,837
Student Support and Academic Enrichment	84.424A	$ 1,641

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

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

Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, Ohio 43062

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We have issued our report thereon dated March 9, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles and the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

March 9, 2021

OHIO AUDITOR OF STATE
KEITH FABER

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

Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, Ohio 43062

To the Board of Education:

Report on Compliance for **Each** *Major Federal Program*

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Southwest Licking Local School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 9, 2021

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020

1. SUMMARY OF AUDITOR'S RESULTS

(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):**	Special Education Cluster Title I Grants to Local Educational Agencies
(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

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

FINDING NUMBER 2020-001

Annual Financial Report – Noncompliance

Ohio Rev. Code §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 Admin. Code § 117-2-03(B), which further clarifies the requirements of **Ohio Rev. Code § 117.38**, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to **Ohio Rev. Code § 117.38** the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

We recommend the District prepare its financial statements in accordance with GAAP.

Officials' Response: See Corrective Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

None.

RICHARD D. JONES
Treasurer
Southwest Licking Local School District
rdjones@laca.org

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

Finding Number	Finding Summary	Status	Additional Information
2019-001 2018-001 2017-001 2016-001	Noncompliance for ORC 117.38 for not filing on GAAP basis Finding first occurred in fiscal year 2004 at finding 2004-SWLSD-001.	Not corrected	The District elects to report on a cash basis rather than GAAP. The finding was re-issued as 2020-001.

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RICHARD D. JONES
Treasurer
Southwest Licking Local School District
rdjones@laca.org

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	None. The Southwest Licking LSD has no plans to convert to GAAP financial statements due to cost of the GAAP conversion and audit. The School District does prepare GAAP Look Alike financial statements.	N/A	Richard D. Jones, Treasurer

Southwest Licking Local School District
927-A South Street, Pataskala, OH 43062
740.927.3941

OHIO AUDITOR OF STATE
KEITH FABER

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

LICKING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 4/13/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370