SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Southington Local School District
Trumbull County
2482 St. Rt. 534
Southington, Ohio 44470

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southington Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southington Local School District, Trumbull County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, *required budgetary comparison schedule* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, 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 26, 2019

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The discussion and analysis of Southington Local School District's (the School District) financial performance is presented by the School District's management and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2018 include:

- Net position increased significantly in fiscal year 2018 due mainly to changes in the net pension liability and net OPEB liability and the deferred outflows and deferred inflows of resources associated with these liabilities. Total program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability.

- The School District is committed to meeting the academic needs of our students by providing them with updated equipment and facilities to compete in a global environment.

- The School District's enrollment decreased from 521 students in fiscal year 2017 to 520 students in fiscal year 2018. Certified staff decreased from 44 in fiscal year 2017 to 42 in fiscal year 2018.

- The School District had additions to capital assets consisting of construction in progress on a new storage building, busses and equipment consisting of wireless headsets, chromebook carts, bleachers, lighting and security upgrades.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the Southington Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Southington Local School District, the general fund and the bond retirement debt service fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

This analysis of the School District encompasses all of the School District's funds used to provide programs and activities and presents them as a whole. This view of the School District as a whole looks at all financial transactions and answers the questions, "What were the fiscal changes throughout the year?" and "What was the net effect of those changes?" The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. The statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and any changes in this position. The change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some strictly within the scope of the School District, some not. External factors include the School District's property tax base, community demographics, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food services.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the School District's most significant funds.

Governmental Funds – The School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* are reconciled in the financial statements of the *Governmental Funds*.

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

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for fiscal year 2018 compared to fiscal year 2017:

(Table 1)

Net Position - Governmental Activities

	2018	2017	Change
Assets			
Current and Other Assets	$6,911,877	$6,525,646	$386,231
Capital Assets, Net	17,457,517	18,172,085	(714,568)
Total Assets	24,369,394	24,697,731	(328,337)
Deferred Outflows of Resources			
Deferred Charge on Refunding	641,455	678,103	(36,648)
Pension	2,018,302	1,434,242	584,060
OPEB	113,692	10,868	102,824
Total Deferred Outflows of Resources	2,773,449	2,123,213	650,236
Liabilities			
Current and Other Liabilities	573,928	635,442	61,514
Long Term Liabilities:			
Due Within One Year	345,390	352,761	7,371
Due in More than One Year			
Net Pension Liability	5,927,065	7,772,547	1,845,482
Net OPEB Liability	1,322,714	1,594,727	272,013
Other Amounts	6,776,301	7,051,009	274,708
Total Liabilities	14,945,398	17,406,486	2,461,088
Deferred Inflows of Resources			
Property Taxes	1,921,614	1,902,204	(19,410)
Pension	520,389	410,614	(109,775)
OPEB	160,254	0	(160,254)
Total Deferred Inflows of Resources	2,602,257	2,312,818	(289,439)
Net Position			
Investment in Capital Assets	11,395,065	11,782,913	(387,848)
Restricted:			
Capital Projects	298,778	448,466	(149,688)
Debt Service	602,189	592,191	9,998
Unclaimed Monies	395	423	(28)
Other Purposes	487,980	597,436	(109,456)
Unrestricted (Deficit)	(3,189,219)	(6,319,789)	3,130,570
Total Net Position	$9,595,188	$7,101,640	$2,493,548

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $8,685,499 to $7,101,640.

Total current and other assets increased due to an increase in cash. The School District was able to secure additional funding in the form of tuition and fees while simultaneously cutting regular instruction expenses through careful budgeting resulting in a surplus spending situation for the fiscal year. Net capital assets decreased as the School District had additions to capital assets consisting of construction in progress on a new storage building, busses and equipment consisting of wireless headsets, chromebook carts, bleachers, lighting and security upgrades being offset by current year depreciation. Net position increased significantly due to changes in the net pension liability and net OPEB liability and the deferred outflows and deferred inflows of resources associated with these liabilities.

Table 2 shows the change in net position for fiscal years 2018 and 2017.

(Table 2)
Change in Net Position - Governmental Activities

	2018	2017	Change
Revenues			
Program Revenues			
Charges for Services and Sales	$866,836	$806,047	$60,789
Operating Grants, Contributions and Interest	638,570	695,836	(57,266)
Total Program Revenues	1,505,406	1,501,883	3,523
General Revenues			
Property Taxes	1,949,260	1,929,033	20,227
Grants and Entitlements not Restricted to Specific Programs	3,877,096	3,922,632	(45,536)
Investment Earnings	8,131	6,032	2,099
Unrestricted Contributions	1,367	2,637	(1,270)
Gain on Disposal of Capital Assets	14,000	0	14,000
Miscellaneous	33,581	42,161	(8,580)
Total General Revenues	5,883,435	5,902,495	(19,060)
Total Revenues	7,388,841	7,404,378	(15,537)
Program Expenses			
Instruction:			
Regular	1,899,559	3,987,430	2,087,871
Special	367,352	484,711	117,359
Vocational	888	53,601	52,713
Support Services:			
Pupil	220,589	241,118	20,529
Instructional Staff	53,192	75,853	22,661
Board of Education	26,503	52,287	25,784
Administration	317,505	553,485	235,980
Fiscal	242,543	284,281	41,738
Business	21,852	22,151	299
Operation and Maintenance of Plant	668,199	717,479	49,280
Pupil Transportation	254,979	249,433	(5,546)
Central	13,522	18,017	4,495
Operation of Non-Instructional Services	100	0	(100)
Food Service Operations	235,309	262,391	27,082
Extracurricular Activities	320,716	311,748	(8,968)
Interest and Fiscal Charges	252,485	238,787	(13,698)
Total Expenses	4,895,293	7,552,772	2,657,479
Change in Net Position	2,493,548	(148,394)	2,641,942
Net Position Beginning of Year	7,101,640	N/A	
Net Position End of Year	$9,595,188	$7,101,640	$2,493,548

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $10,868 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $199,305. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$4,895,293
Negative OPEB expense under GASB 75	199,305
2018 contractually required contribution	15,278
Adjusted 2018 program expenses	5,109,876
Total 2017 program expenses under GASB 45	7,552,772
Decrease in program expenses not related to OPEB	($2,442,896)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 12) As a result of these changes, pension expense decreased from $514,342 in fiscal year 2017 to a negative pension expense of $1,913,903 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	$1,349,475
Special	173,452
Student Intervention Services	40,508
Support Services	
Pupils	53,634
Instructional Staff	28,895
Board of Education	1,762
Administration	208,847
Fiscal	13,400
Operation and Maintenance of Plant	26,732
Pupil Transportation	9,524
Central	1,572
Operation of Non-Instructional Services:	
Food Service Operations	6,102
Total Expenses	$1,913,903

Analysis of overall financial position and results of operations

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

Program revenues for governmental activities in fiscal year 2018 had minimal changes from the prior fiscal year. Charges for service program revenue increases can be traced to changes in tuition and fee revenue collected in fiscal year 2018 as the School District was able to limit the change in enrollment and collect additional fees in the fiscal year. Operating grants saw a decrease in program revenue as the School District was able to collect less additional sources of funding while maintaining the desired programs. General revenues decreased in fiscal year 2018 primarily resulting from reduced collections on grant and entitlement not restricted. The decrease in intergovernmental revenues not restricted is due to the School District not receiving the benefit of all of the additional sources of funding received in the prior fiscal year. Property tax increases were the result of the timing of collections and helped offset the reduction to general revenues.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home were reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than $35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid. Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. As mentioned previously, pension expense decreased from $514,342 in fiscal year 2017 to a negative pension expense of $1,913,903 for fiscal year 2018, representing a total change of ($2,428,245) attributable to changes in the net pension liability. The recording of a net OPEB liability resulted in a ($199,305) change to program expenses.

Program expenses excluding amounts related to the net pension and net OPEB liabilities decreased due to careful expenditure constraints that the Administration put in place during fiscal year 2018.

In Table 3 below, the total cost of services column contains all costs related to the programs and the net cost of services column shows how much of the total amount is not covered by program revenues. The net costs are program costs that must be covered by unrestricted State aid (State Foundation) or local taxes.

(Table 3)
Total and Net Cost of Program Services
Governmental Activities

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$2,267,799	$1,056,174	$4,525,742	$3,356,043
Support Services:				
Pupil and Instructional Staff	273,781	268,381	316,971	311,571
Board of Education, Administration, Fiscal Services, Business and Central	621,925	610,784	930,221	923,388
Operation and Maintenance of Plant	668,199	640,386	717,479	689,614
Pupil Transportation	254,979	254,979	249,433	249,433
Operation of Non-Instructional Services	100	100	0	0
Food Service Operations	235,309	20,553	262,391	38,228
Extracurricular Activities	320,716	286,045	311,748	243,825
Interest and Fiscal Charges	252,485	252,485	238,787	238,787
Total Expenses	$4,895,293	$3,389,887	$7,552,772	$6,050,889

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2018. The community, as a whole, is by far the primary support for Southington Local School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $7,426,062 and expenditures of $6,961,284. The general fund had an increase in fund balance which can be attributed to revenues outpacing expenditures as the School District was able to maintain a surplus in the general fund while continuing to offer the programs the community desires. The bond retirement fund had a slight decrease in fund balance due to the School District making the annual debt payments.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

Actual revenues were slightly higher than the final certificate as the School District received more tuition and fee revenues than what was anticipated as final distributions were made. Final budgeted revenues were greater than original budgeted revenues as a clear picture of where revenues would end materialized. Actual expenditures were lower than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation. For fiscal year 2018, the net decrease in capital assets during the fiscal year resulted from annual depreciation, offset by additions of construction in progress on a new storage building, busses and equipment consisting of wireless headsets, chromebook carts, bleachers, lighting and security upgrades. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2018, this amounted to $94,291. See Note 9 to the basic financial statements for additional information on the School District's capital assets and Note 18 for additional information regarding required set-asides.

Debt

At June 30, 2018, the School District had general obligation bonds outstanding in the amount of $6,861,411. These bonds were issued for the School District's portion of the Ohio School Facilities Commission project. During fiscal year 2016, the School District refunded a portion of the 2008 classroom facilities improvement bonds to take advantage of lower interest rates. These bonds will be fully repaid in fiscal year 2036. Please see Note 10 of the notes to the basic financial statements for more information about the School District's long-term obligations.

Challenges and Opportunities for the Future

The School District will continue to provide the best education it can to the community's most important asset. It will continue to be a responsible and conservative caretaker of our taxpayers' dollars and will continue to work within the confines of the budget it has set forth in an effort to comply with all State mandates.

The Southington Local School District has committed itself to financial reporting excellence. Southington continues its commitment to continuous improvement in financial reporting to our community.

Contacting the School District's Financial Management

This financial report is designed to provide our students, citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the public dollars entrusted to us. If you have questions about this report or need additional financial information, contact Janet Ward, Treasurer at Southington Local School District, 2482 State Route 534, Southington, Ohio 44470, or janet.ward@southingtonlocal.org.

Basic Financial Statements

Southington Local School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$4,616,848
Accounts Receivable	7,347
Accrued Interest Receivable	1,524
Intergovernmental Receivable	83,324
Prepaid Items	3,880
Property Taxes Receivable	2,198,954
Nondepreciable Capital Assets	232,955
Depreciable Capital Assets, Net	17,224,562
Total Assets	24,369,394
Deferred Outflows of Resources	
Deferred Charge on Refunding	641,455
Pension	2,018,302
OPEB	113,692
Total Deferred Outflows of Resources	2,773,449
Liabilities	
Accounts Payable	30,891
Contracts Payable	6,850
Accrued Wages and Benefits	389,540
Intergovernmental Payable	103,947
Matured Compensated Absences Payable	3,926
Accrued Interest Payable	38,774
Long-Term Liabilities:	
Due Within One Year	345,390
Due In More Than One Year	
Net Pension Liability (See Note 12)	5,927,065
Net OPEB Liability (See Note 13)	1,322,714
Other Amounts	6,776,301
Total Liabilities	14,945,398
Deferred Inflows of Resources	
Property Taxes	1,921,614
Pension	520,389
OPEB	160,254
Total Deferred Inflows of Resources	2,602,257
Net Position	
Net Investment in Capital Assets	11,395,065
Restricted for:	
Capital Projects	298,778
Debt Service	602,189
Unclaimed Monies	395
Other Purposes	487,980
Unrestricted (Deficit)	(3,189,219)
Total Net Position	$9,595,188

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$1,899,559	$638,437	$161,533	($1,099,589)
Special	367,352	115,141	280,452	28,241
Vocational	888	12,416	3,646	15,174
Support Services:				
Pupil	220,589	0	0	(220,589)
Instructional Staff	53,192	0	5,400	(47,792)
Board of Education	26,503	0	0	(26,503)
Administration	317,505	0	5,215	(312,290)
Fiscal	242,543	0	5,926	(236,617)
Business	21,852	0	0	(21,852)
Operation and Maintenance of Plant	668,199	0	27,813	(640,386)
Pupil Transportation	254,979	0	0	(254,979)
Central	13,522	0	0	(13,522)
Operation of Non-Instructional Services	100	0	0	(100)
Food Service Operations	235,309	66,171	148,585	(20,553)
Extracurricular Activities	320,716	34,671	0	(286,045)
Interest and Fiscal Charges	252,485	0	0	(252,485)
Totals	$4,895,293	$866,836	$638,570	(3,389,887)

General Revenues	
Property Taxes Levied for:	
General Purposes	1,414,262
Debt Service	449,993
Classroom Facitilies Maintenance	85,005
Grants and Entitlements not Restricted to Specific Programs	3,877,096
Investment Earnings	8,131
Unrestricted Contributions	1,367
Gain on Sale of Capital Assets	14,000
Miscellaneous	33,581
Total General Revenues	5,883,435
Change in Net Position	2,493,548
Net Position Beginning of Year - Restated (See Note 21)	7,101,640
Net Position End of Year	$9,595,188

See accompanying notes to the basic financial statements

Southington Local School District

Balance Sheet

Governmental Funds

June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$3,206,186	$583,536	$826,731	$4,616,453
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	395	0	0	395
Accounts Receivable	7,347	0	0	7,347
Accrued Interest Receivable	0	1,524	0	1,524
Intergovernmental Receivable	32,699	0	50,625	83,324
Interfund Receivable	15,551	0	0	15,551
Prepaid Items	3,880	0	0	3,880
Property Taxes Receivable	1,595,791	507,909	95,254	2,198,954
Total Assets	$4,861,849	$1,092,969	$972,610	$6,927,428
Liabilities				
Accounts Payable	$20,273	$0	$10,618	$30,891
Contracts Payable	0	0	6,850	6,850
Accrued Wages and Benefits	343,556	0	45,984	389,540
Interfund Payable	0	0	15,551	15,551
Matured Compensated Absences Payable	3,926	0	0	3,926
Intergovernmental Payable	89,274	0	14,673	103,947
Total Liabilities	457,029	0	93,676	550,705
Deferred Inflows of Resources				
Property Taxes	1,393,439	444,861	83,314	1,921,614
Unavailable Revenue	211,284	60,365	41,842	313,491
Total Deferred Inflows of Resources	1,604,723	505,226	125,156	2,235,105
Fund Balances				
Nonspendable	4,275	0	0	4,275
Restricted	0	587,743	778,532	1,366,275
Committed	8,531	0	0	8,531
Assigned	137,731	0	0	137,731
Unassigned (Deficit)	2,649,560	0	(24,754)	2,624,806
Total Fund Balances	2,800,097	587,743	753,778	4,141,618
Total Liabilities and Fund Balances	$4,861,849	$1,092,969	$972,610	$6,927,428

See accompanying notes to the basic financial statements

Southington Local School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$4,141,618
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,457,517
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Delinquent Property Taxes	265,538	
Grants	41,405	
Tuition and Fees	6,548	
Total		313,491
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(38,774)
The net pension liability and net OPEB liability is not due and payable in the current period; therefore, the liability and related inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,018,302	
Deferred Outflows - OPEB	113,692	
Net Pension Liability	(5,927,065)	
Net OPEB Liability	(1,322,714)	
Deferred Inflows - Pension	(520,389)	
Deferred Inflows - OPEB	(160,254)	
Total		(5,798,428)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Deferred Charge on Refunding	641,455	
General Obligation Bonds	(6,095,359)	
Bond Premium	(766,052)	
Compensated Absences	(242,040)	
Special Termination Benefits	(18,240)	
Total		(6,480,236)
Net Position of Governmental Activities		$9,595,188

See accompanying notes to the basic financial statements

Southington Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$1,412,109	$447,170	$84,569	$1,943,848
Intergovernmental	3,998,181	77,424	484,312	4,559,917
Interest	6,574	1,524	1,851	9,949
Tuition and Fees	654,657	0	0	654,657
Extracurricular Activities	5,126	0	35,214	40,340
Contributions and Donations	1,367	0	4,300	5,667
Charges for Services	111,932	0	66,171	178,103
Miscellaneous	33,545	0	36	33,581
Total Revenues	6,223,491	526,118	676,453	7,426,062
Expenditures				
Current:				
Instruction:				
Regular	2,673,319	0	183,188	2,856,507
Special	486,484	0	97,509	583,993
Vocational	52,242	0	0	52,242
Support Services:				
Pupil	285,990	0	3,363	289,353
Instructional Staff	63,928	0	12,824	76,752
Board of Education	27,137	3,250	0	30,387
Administration	586,815	0	8,643	595,458
Fiscal	253,813	9,598	7,044	270,455
Business	21,852	0	0	21,852
Operation and Maintenance of Plant	513,997	0	218,671	732,668
Pupil Transportation	263,568	0	83,093	346,661
Central	16,745	0	0	16,745
Operation of Non-Instructional Services	0	0	100	100
Food Services Operations	0	0	239,955	239,955
Extracurricular Activities	142,141	0	173,792	315,933
Capital Outlay	0	0	18,204	18,204
Debt Service:				
Principal Retirement	0	320,000	0	320,000
Interest and Fiscal Charges	0	194,019	0	194,019
Total Expenditures	5,388,031	526,867	1,046,386	6,961,284
Excess of Revenues Over (Under) Expenditures	835,460	(749)	(369,933)	464,778
Other Financing Sources (Uses)				
Sale of Capital Assets	8,000	0	6,000	14,000
Transfers In	0	0	141,340	141,340
Transfers Out	(141,340)	0	0	(141,340)
Total Other Financing Sources (Uses)	(133,340)	0	147,340	14,000
Net Change in Fund Balances	702,120	(749)	(222,593)	478,778
Fund Balances Beginning of Year	2,097,977	588,492	976,371	3,662,840
Fund Balances End of Year	$2,800,097	$587,743	$753,778	$4,141,618

See accompanying notes to the basic financial statements

Southington Local School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$478,778
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital Outlay Additions	187,180	
Current Year Depreciation	(901,748)	
Total		(714,568)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	5,412	
Grants	(50,369)	
Tuition and Fees	(595)	
Extracurricular	(5,669)	
Total		(51,221)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		320,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds:		
Accrued Interest on Bonds	778	
Amortization of Accretion	(73,110)	
Amortization of Bond Premium	50,514	
Amortization of Deferred Charge on Refunding	(36,648)	
Total		(58,466)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	405,864	
OPEB	15,278	
Total		421,142
Except for the amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:		
Pension	1,913,903	
OPEB	199,305	
Total		2,113,208
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated Absences	(19,885)	
Special Termination Benefits	4,560	
Total		(15,325)
Change in Net Position of Governmental Activities		$2,493,548

See accompanying notes to the basic financial statements

Southington Local School District

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$1,208,226	$1,414,611	$1,414,706	$95
Intergovernmental	3,402,220	3,990,154	3,983,645	(6,509)
Interest	5,615	6,018	6,574	556
Tuition and Fees	572,510	666,699	670,349	3,650
Contributions and Donations	1,167	1,137	1,367	230
Charges for Services	95,595	110,756	111,932	1,176
Miscellaneous	18,846	21,964	22,810	846
Total Revenues	5,304,179	6,211,339	6,211,383	44
Expenditures				
Current:				
Instruction:				
Regular	2,900,936	2,845,798	2,731,874	113,924
Special	512,093	483,219	483,219	0
Vocational	55,030	51,652	51,652	0
Support Services:				
Pupil	310,690	292,574	292,035	539
Instructional Staff	67,299	64,066	63,908	158
Board of Education	28,648	89,006	40,578	48,428
Administration	619,400	591,291	587,490	3,801
Fiscal	269,033	254,166	253,151	1,015
Business	24,329	33,478	23,407	10,071
Operation and Maintenance of Plant	549,738	719,378	589,456	129,922
Pupil Transportation	279,522	321,956	283,207	38,749
Central	17,697	19,203	16,671	2,532
Extracurricular Activities	134,054	130,054	125,826	4,228
Total Expenditures	5,768,469	5,895,841	5,542,474	353,367
Excess of Revenues Over (Under) Expenditures	(464,290)	315,498	668,909	353,411
Other Financing Sources (Uses)				
Sale of Capital Assets	6,832	8,000	8,000	0
Advances In	170,474	205,607	199,607	(6,000)
Advances Out	(187,575)	(176,850)	(176,062)	788
Transfers Out	(150,582)	(144,611)	(141,340)	3,271
Total Other Financing Sources (Uses)	(160,851)	(107,854)	(109,795)	(1,941)
Net Change in Fund Balance	(625,141)	207,644	559,114	351,470
Fund Balance Beginning of Year	2,356,407	2,356,407	2,356,407	0
Prior Year Encumbrances Appropriated	124,524	124,524	124,524	0
Fund Balance End of Year	$1,855,790	$2,688,575	$3,040,045	$351,470

See accompanying notes to the basic financial statements

Southington Local School District

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$43,170
Liabilities	
Due to Students	$20,022
Deposits Held and Due to Others	23,148
Total Liabilities	$43,170

See accompanying notes to the basic financial statements

Note 1 - Description of the School District and Reporting Entity

Southington Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's one instructional/support facility staffed by 24 classified employees, 42 certified employees and 3 administrative employees who provide services to 520 students and other community members.

Reporting Entity

A reporting entity is composed 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 School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; (2) the School District is entitled to or can otherwise access the organization's resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District participates in three jointly governed organizations, one insurance purchasing pool and one risk sharing pool. These organizations are the North East Ohio Management Information Network, Trumbull Career and Technical Center, State Support Team Region 5, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All of the School District's funds are classified as either governmental or fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Bond Retirement Fund The bond retirement fund accounts for and reports property tax revenues that are restricted for the payment of principal and interest and fiscal charges on general obligation debt.

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student and alumni activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants and student fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding debt, pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, tuition and fees and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cash and Cash Equivalents

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

During fiscal year 2018, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $6,574, none of which was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provision. Restricted assets in the general fund include unspent resources set-aside for unclaimed monies.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land and Improvements	10 - 25 years
Buildings and Improvements	30 - 50 years
Furniture	20 years
Fixtures	15 years
Equipment	10 - 20 years
Vehicles	10 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on the sick leave accumulated at year-end by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. All employees with ten or more years of service were included in the calculation of the compensated absences accrual amount.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, instruction, support services and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for instruction and extracurricular activities.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bonds premiums are receipted in the year the bonds are issued.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations at the function and object levels.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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 3 – Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable				
Unclaimed Monies	$395	$0	$0	$395
Prepaid Items	3,880	0	0	3,880
Total Nonspendable	4,275	0	0	4,275
Restricted for				
Food Service Operations	0	0	124,354	124,354
Scholarships and Awards	0	0	43,291	43,291
Athletics	0	0	36,500	36,500
Classroom Facilities Maintenance	0	0	275,609	275,609
Debt Service Payments	0	587,743	0	587,743
Capital Improvements	0	0	298,778	298,778
Total Restricted	0	587,743	778,532	1,366,275
Committed to				
Policy Update	2,732	0	0	2,732
Educational Services	141	0	0	141
Future Severance Payments	5,658	0	0	5,658
Total Committed	8,531	0	0	8,531
Assigned to				
Instruction and Extracurricular	36,961	0	0	36,961
Purchases on Order:				
Instruction	10,331	0	0	10,331
Support Services	90,439	0	0	90,439
Total Assigned	137,731	0	0	137,731
Unassigned (Deficit)	2,649,560	0	(24,754)	2,624,806
Total Fund Balances	$2,800,097	$587,743	$753,778	$4,141,618

Note 4 – Accountability

At June 30, 2018, the title VI-B, title I, title II-A and the miscellaneous federal grants special revenue funds had deficit fund balances of $7,234, $5,817, $1,165 and $10,538, respectively.

The deficits were caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

4. Advances-In and Advances-Out are operating transaction (budget) as opposed to balance sheet transactions (GAAP).

5. Budgetary revenues and expenditures of the uniform school supply fund and public school support fund are classified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	General
GAAP Basis	$702,120
Net Adjustment for Revenue Accruals	17,225
Advances In	199,607
Net Adjustment for Expenditure Accruals	(53,545)
Advances Out	(176,062)
Perspective Difference:	
Uniform School Supply	(2,731)
Public School Support	1,275
Encumbrances	(128,775)
Budget Basis	$559,114

Note 6 - Deposits and Investments

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

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

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 evidence 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.

Protection of the School 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 institution’s 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 School 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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

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 (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); and

8. Certain bankers' acceptances and commercial paper for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies 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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. 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 7 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2018, was $8,611 in the general fund, $508 in the classroom facilities special revenue fund and $2,683 in the bond retirement debt service fund. The amount available as an advance at June 30, 2017, was $11,208 in the general fund, $643 in the classroom facilities special revenue fund and $3,366 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$63,502,640	96.37 %	$63,212,870	96.26 %
Public Utility Personal	2,395,170	3.63	2,455,930	3.74
Total	$65,897,810	100.00 %	$65,668,800	100.00 %
Full Tax rate per $1,000 of assessed valuation	$50.50		$50.70	

Note 8 - Receivables

Receivables at June 30, 2018, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds. All receivables, except delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Miscellaneous Federal Grants	$20,735
Title VI-B Grant	16,884
Foundation Adjustment	15,436
Medicaid	10,995
Title I Grant	10,367
Bureau of Workers Compensation	6,268
Title II-A Grant	2,639
Total	$83,324

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Capital Assets				
Land	$224,230	$0	$0	$224,230
Construction in Progress	0	8,725	0	8,725
Total Nondepreciable Capital Assets	224,230	8,725	0	232,955
Depreciable Capital Assets				
Land and Improvements	3,042,323	0	0	3,042,323
Buildings and Improvements	16,977,376	4,036	0	16,981,412
Furniture, Fixtures and Equipment	2,709,036	46,490	(16,199)	2,739,327
Vehicles	604,395	127,929	(120,725)	611,599
Total Depreciable Capital Assets	23,333,130	178,455	(136,924)	23,374,661
Less: Accumulated Depreciation				
Land and Improvements	(824,066)	(150,184)	0	(974,250)
Buildings and Improvements	(3,119,674)	(539,225)	0	(3,658,899)
Furniture, Fixtures and Equipment	(1,034,042)	(153,974)	16,199	(1,171,817)
Vehicles	(407,493)	(58,365)	120,725	(345,133)
Total Accumulated Depreciation	(5,385,275)	(901,748) *	136,924	(6,150,099)
Depreciable Capital Assets, Net of Accumulated Depreciation	17,947,855	(723,293)	0	17,224,562
Governmental Activities Capital Assets, Net	$18,172,085	($714,568)	$0	$17,457,517

* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	$810,783
Special	1,509
Support Services	
Instructional Staff	13,363
Administration	906
Operation and Maintenance of Plant	8,210
Pupil Transportation	50,817
Food Service Operations	7,577
Extracurricular Activities	8,583
Total Depreciation Expense	$901,748

Note 10 – Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Fiscal Year of Maturity
2008 Classroom Facilities Bonds:			
Serial Bonds	3.00 - 4.00%	$3,110,000	2019
2015 Classroom Facilities Refunding Bonds:			
Serial Bonds	1.00 - 4.00	5,880,000	2036
Capital Appreciation Bonds	Various	85,000	2024

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2008 Classroom Facilities Bonds					
Serial Bonds	$475,000	$0	$235,000	$240,000	$240,000
Unamortized Premium	14,291	0	7,146	7,145	0
Total 2008 Classroom Facilities Bonds	489,291	0	242,146	247,145	240,000
2015 Classroom Facilities Refunding Bonds					
Serial Bonds	5,705,000	0	85,000	5,620,000	85,000
Capital Appreciation Bonds	85,000	0	0	85,000	0
Accretion	77,249	73,110	0	150,359	0
Premium on Bonds	802,275	0	43,368	758,907	0
Total 2015 Classroom Facilities Bonds	6,669,524	73,110	128,368	6,614,266	85,000
Total General Obligation Bonds	7,158,815	73,110	370,514	6,861,411	325,000
Other Long-Term Obligations:					
Net Pension Liability:					
STRS	6,265,834	0	1,541,217	4,724,617	0
SERS	1,506,713	0	304,265	1,202,448	0
Total Net Pension Liability	7,772,547	0	1,845,482	5,927,065	0
Net OPEB Liability:					
STRS	1,001,100	0	225,113	775,987	0
SERS	593,627	0	46,900	546,727	0
Total Net OPEB Liability	1,594,727	0	272,013	1,322,714	0
Compensated Absences	222,155	48,086	28,201	242,040	15,830
Special Termination Benefits	22,800	0	4,560	18,240	4,560
Total Other Long-Term Obligations	9,612,229	48,086	2,150,256	7,510,059	20,390
Total Long-Term Liabilties	$16,771,044	$121,196	$2,520,770	$14,371,470	$345,390

Compensated absences will be paid from the general fund and the food service, Ohio schools facility maintenance, the title VI-B and the title I special revenue funds. The special termination benefits will be paid from the general fund. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds: general fund and the food service, Ohio schools facility maintenance and the title I special revenue funds. For additional information related to the net pension and net OBEB liabilities see Notes 12 and 13.

On February 20, 2008, Southington Local School District issued $8,000,000 in general obligation bonds, which included serial and term bonds to fund capital improvements to the School District's buildings. The bonds were issued for a twenty-eight year period with final maturity on December 1, 2035. The bonds were issued at a premium of $200,073 and will be repaid with property taxes in the bond retirement fund. During fiscal year 2016, a portion of the bonds were retired by the School District through an advance refunding. After the advance refunding, the original general obligation bonds have a final maturity of December 1, 2018.

On September 9, 2015, the School District issued $5,965,000 in general obligation bonds to refund a portion of the 2008 general obligation classroom facilities bonds. The general obligation bonds included serial and capital appreciation (deep discount) bonds in the amounts $5,880,000 and $85,000, respectively. The bonds were issued for a twenty year period with a final maturity at December 1, 2035.

The capital appreciation bonds were originally sold at a discount of $860,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2024. The maturity amount of the outstanding capital appreciation bonds at June 30, 2018 is $945,000. The accretion recorded for fiscal year 2018 was $73,110, for a total outstanding bond liability of $235,359 at June 30, 2018.

The refunding bonds were sold at a premium of $881,783. Net proceeds of $6,710,291 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds. As a result, $5,965,000 of these bonds is considered defeased and the liability for the refunded portion of these bonds has been removed from the School District's financial statements.

The overall debt margin of the School District as of June 30, 2018 was $552,935 with an unvoted debt margin of $65,669. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2018 are as follows:

	Serial Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Accretion
2019	$325,000	$460,531	$0	$0
2020	255,000	177,650	15,000	65,000
2021	255,000	172,550	10,000	65,000
2022	80,000	169,200	25,000	240,000
2023	80,000	167,400	20,000	245,000
2024-2028	1,560,000	736,000	15,000	245,000
2029-2033	2,030,000	420,625	0	0
2034-2036	1,275,000	76,875	0	0
Total	$5,860,000	$2,380,831	$85,000	$860,000

Note 11 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

The School District is not a party to any material legal proceedings.

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

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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 funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system'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. Resulting adjustments to the net pension/OPEB liability 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 proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. 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 – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $97,035 for fiscal year 2018. Of this amount $17,909 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 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.

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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was $308,829 for fiscal year 2018. Of this amount $43,389 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.02058610%	0.01871906%	
Proportion of the Net Pension Liability Current Measurement Date	0.02012540%	0.01988876%	
Change in Proportionate Share	-0.00046070%	0.00116970%	
Proportionate Share of the Net Pension Liability	$1,202,448	$4,724,617	$5,927,065
Pension Expense	($69,614)	($1,844,289)	($1,913,903)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$51,749	$182,443	$234,192
Changes of assumptions	62,179	1,033,326	1,095,505
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	282,741	282,741
School District contributions subsequent to the measurement date	97,035	308,829	405,864
Total Deferred Outflows of Resources	$210,963	$1,807,339	$2,018,302
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$38,079	$38,079
Net difference between projected and actual earnings on pension plan investments	5,708	155,918	161,626
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	42,711	277,973	320,684
Total Deferred Inflows of Resources	$48,419	$471,970	$520,389

$405,864 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	$21,891	$192,619	$214,510
2020	59,108	404,719	463,827
2021	12,541	277,929	290,470
2022	(28,031)	151,273	123,242
Total	$65,509	$1,026,540	$1,092,049

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined 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 rebalanced uncorrelated asset classes.

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$1,668,686	$1,202,448	$811,879

Actuarial Assumptions - STRS

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

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

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the 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, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$6,772,578	$4,724,617	$2,999,517

Note 13 – Defined Benefit OPEB Plans

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School 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 fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $11,684.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $15,278 for fiscal year 2018. Of this amount $12,347 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School 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 and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.02082630%	0.01871906%	
Proportion of the Net OPEB Liability Current Measurement Date	0.02037180%	0.01988876%	
Change in Proportionate Share	-0.00045450%	0.00116970%	
Proportionate Share of the Net OPEB Liability	$546,727	$775,987	$1,322,714
OPEB Expense	$28,547	($227,852)	($199,305)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$44,795	$44,795
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	53,619	53,619
School District contributions subsequent to the measurement date	15,278	0	15,278
Total Deferred Outflows of Resources	$15,278	$98,414	$113,692
Deferred Inflows of Resources			
Changes of assumptions	$51,881	$62,508	$114,389
Net difference between projected and actual earnings on OPEB plan investments	1,444	33,167	34,611
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	11,254	0	11,254
Total Deferred Inflows of Resources	$64,579	$95,675	$160,254

$15,278 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($23,236)	($2,307)	($25,543)
2020	(23,236)	(2,307)	(25,543)
2021	(17,747)	(2,307)	(20,054)
2022	(360)	(2,307)	(2,667)
2023	0	5,985	5,985
Thereafter	0	5,982	5,982
Total	($64,579)	$2,739	($61,840)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$660,241	$546,727	$456,793

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$443,627	$546,727	$683,179

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$1,041,749	$775,987	$565,947

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$539,122	$775,987	$1,087,727

Note 14 - Other Employee Benefits

Compensated Absences

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees and classified employees is 324 days and 305 days, respectively.

For all employees, retirement severance is paid to each employee retiring from the School District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the School District for a minimum of ten consecutive years and has ten years of service with the State retirement system at the time of retirement. Certified and classified employees receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 81 days and 76.25 days, repsectively.

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through ReliaStar Insurance Company, in the amount of $50,000 for all regular contracted certified employees and $30,000 for all regular contracted classified employees.

Health Insurance Benefits

The School District provides employee medical and surgical plans through Medical Mutual of Ohio. Employees may choose between three comprehensive major medical plans for medical/surgical insurance. These plans provide medical/surgical coverage with deductibles ranging from $100 to $2,000 for single coverage and $200 to $4,000 for family coverage with a maximum of $1,000 per individual and $2,000 per family. Prescription drug is provided through Medical Mutual of Ohio and dental is provided through Delta Dental.

Retirement Incentive

The School District's Board of Education offered employees participation in a Retirement Incentive program starting in fiscal year 2017. Participation was open to teachers who were eligible for service retirement under the State Teachers Retirement System (STRS) pursuant to O.R.C. 3307.38 and any applicable STRS regulations along with being at least 60 years of age by October 1, 2017. The Board of Education will pay an annual supplement to the retiree for single group rate coverage provided through STRS to be applied to the retiree's premium share until their 65th birthday. As of fiscal year 2018, one employee took advantage of the retirement incentive equating to a remaining balance of $18,240. The retirement incentive will be paid out over a five year period.

Note 15 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Schools of Ohio Risk Sharing Authority (Note 17).

Professional liability is maintained in the amount of $15,000,000 for single occurrence and $17,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of $15,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of $30,224,847.

Settled claims have not exceeded this commercial coverage in any of the past three years.

Worker's Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP. The Board exercises total control over the operations of the GRP including budgeting, appropriating, contracting and designating management.

Note 16 - Jointly Governed Organizations

North East Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed 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 districts. Each of the districts supports NEOMIN based upon a per pupil charge. Southington Local School District paid $17,154 to NEOMIN during fiscal year 2018.

The Governing Board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Southington Local School District was not represented on the Governing Board during fiscal year 2018. The degree of control exercised by any participating school district is limited to its representation on the Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446-4603.

Trumbull Career and Technical Center (Center) The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the Center during fiscal year 2018. To obtain financial information write to the Trumbull Career and Technical Center, Cody Holecko, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

State Support Team Region 5 The State Support Team Region 5 is a special education service center which selects its own board, adopts it own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The State Support Team Region 5 is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the State Support Team Region 5 during fiscal year 2018. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

Note 17 – Public Entity Risk Sharing Pools

Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Post President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Risk Sharing Pool

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 106 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

Note 18 - Set Aside Calculation

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

The following cash basis information describes the changes in the fiscal year end set aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Balance as of June 30, 2017	$0
Current Year Set-aside Requirement	94,291
OSFC Debt Service Payments	(514,019)
Qualifying Disbursements	(28,437)
Total	($448,165)
Set-aside Balance Carried Forward to Future Fiscal Years	$0
Set-aside Balance as of June 30, 2018	$0

Although the School District had qualifying offsets and disbursements during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirements of future years. This balance is therefore not presented as being carried forward to future fiscal years.

Note 19 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred $2,436 and $138,904 to the scholarship and the athletics and music special revenue funds, respectively, to help provide funding for fiscal year 2018.

Interfund Balances

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables:

	Interfund Receivable
Interfund Payable	General Fund
Other Governmental Funds	
Athletics and Music	$300
Title VI-B	1,501
Title I	2,501
Title II-A	299
Miscellaneous Federal Grants	10,950
Total	$15,551

The interfund receivables and payables with the general fund and other governmental funds were due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. All interfund receivables will be repaid within one year.

Note 20 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	$128,775
Other Governmental Funds	68,307
Total	$197,082

Contractual Commitments

As of June 30, 2018, the School District had the following contract balances for various construction projects:

Project	Amount Outstanding
Storage Building	$9,993
Waterline	8,270
Total	$18,263

All remaining commitment amounts were encumbered at year end.

Note 21 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$8,685,499
Adjustments:	
Net OPEB Liability	(1,594,727)
Deferred Outflow - Payments Subsequent to Measurement Date	10,868
Restated Net Position June 30, 2017	$7,101,640

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Required Supplementary Information

Southington Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.02012540%	0.02058610%	0.02090300%
School District's Proportionate Share of the Net Pension Liability	$1,202,448	$1,506,713	$1,192,741
School District's Covered Payroll	$678,271	$641,543	$632,253
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	177.28%	234.86%	188.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2015	2014
0.02178700%	0.02178700%
$1,102,628	$1,295,603
$636,153	$616,023
173.33%	210.32%
71.70%	65.52%

Southington Local School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.02037180%	0.02082630%
School District's Proportionate Share of the Net OPEB Liability	$546,727	$593,627
School District's Covered Payroll	$678,271	$641,543
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	80.61%	92.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Southington Local School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Five Fiscal Years (1)

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.01988876%	0.01871906%	0.02033617%
School District's Proportionate Share of the Net Pension Liability	$4,724,617	$6,265,834	$5,620,321
School District's Covered Payroll	$2,207,107	$1,974,221	$2,103,243
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	214.06%	317.38%	267.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2015	2014
0.02024431%	0.02024431%
$4,924,117	$5,865,576
$2,086,185	$2,119,477
236.03%	276.75%
74.70%	69.30%

Southington Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.01988876%	0.01871906%
School District's Proportionate Share of the Net OPEB Liability	$775,987	$1,001,100
School District's Covered Payroll	$2,207,107	$1,974,221
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.16%	50.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Southington Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$97,035	$94,958	$89,816	$83,331
Contributions in Relation to the Contractually Required Contribution	(97,035)	(94,958)	(89,816)	(83,331)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$718,778	$678,271	$641,543	$632,253
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (2)	15,278	10,868	10,386	16,359
Contributions in Relation to the Contractually Required Contribution	(15,278)	(10,868)	(10,386)	(16,359)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.13%	1.60%	1.62%	2.59%
Total Contributions as a Percentage of Covered Payroll (2)	15.63%	15.60%	15.62%	15.77%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$86,792	$85,258	$83,825	$75,174	$82,063	$62,861
(86,792)	(85,258)	(83,825)	(75,174)	(82,063)	(62,861)
$0	$0	$0	$0	$0	$0
$636,153	$616,023	$623,236	$598,044	$606,080	$638,834
13.64%	13.84%	13.45%	12.57%	13.54%	9.84%
12,091 #	11,783	12,854	17,504	11,941	36,116
(12,091)	(11,783)	(12,854)	(17,504)	(11,941)	(36,116)
$0	$0	$0	$0	$0	$0
1.90%	1.91%	2.06%	2.93%	1.97%	5.65%
15.54%	15.75%	15.51%	15.50%	15.51%	15.49%

Southington Local School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$308,829	$308,995	$276,391	$294,454
Contributions in Relation to the Contractually Required Contribution	(308,829)	(308,995)	(276,391)	(294,454)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$2,205,921	$2,207,107	$1,974,221	$2,103,243
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$271,204	$275,532	$276,741	$278,133	$295,614	$297,114
(271,204)	(275,532)	(276,741)	(278,133)	(295,614)	(297,114)
$0	$0	$0	$0	$0	$0
$2,086,185	$2,119,477	$2,128,777	$2,139,485	$2,273,954	$2,285,492
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$20,862	$21,195	$21,288	$21,395	$22,740	$22,855
(20,862)	(21,195)	(21,288)	(21,395)	(22,740)	(22,855)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

Southington Local School District
Trumbull County
2482 St. Rt. 534
Southington, Ohio 44470

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southington Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2019 wherein we noted the District adopted Governmental Accounting Standards Board Statement 75.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

Compliance and Other Matters

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

Entity's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of Findings. We did not audit the District's response 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 26, 2019

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

1. **Accrued Interest Payable**

Finding Number	2018-001

SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The District reported accrued interest payable for the Bond Retirement Fund at an incorrect amount. The District reported this amount at $38,774 when it should have been $15,779. This error occurred because updated amortization schedules were not being used to calculate accrued interest.

The District did not have adequate controls in place to help prevent or detect this error.

The District should use the correct amortization schedules when calculating accrued interest payable.

Official's Response:

Updated amortization schedules are in place. We will comply.

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Southington Local School District

2482 STATE ROUTE 534
SOUTHINGTON, OHIO 44470

Telephone (330) 898-7480
FAX (330) 898-4828

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Board approved appropriations not accurately entered into accounting system used to monitor budget	Corrected	

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OHIO AUDITOR OF STATE
KEITH FABER

SOUTHINGTON LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 18, 2019

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