



Dave Yost • Auditor of State

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

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 Southington Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2014, 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 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 Southington Local School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General and Classroom Facilities Maintenance funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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*, 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 May 5, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 5, 2015

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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, 2014. 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 2014 include:

- 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.
- Governmental activities reflected an overall decrease in revenues from fiscal year 2013 as a result of revenue received from the leasing of land for gas drilling in fiscal year 2013 that was not received again in fiscal year 2014. The School District continues to seek out additional sources of revenues to ensure programs are maintained that the community expects.
- Total program expenses for fiscal year 2014 were less than the previous fiscal year, as the School District continues to replace retiring or leaving staff with base level staff to help on expenses along with an effort from the administration to control spending while still providing the services expected by the community.

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, the classroom facilities maintenance special revenue fund, the bond retirement debt service fund and the Ohio School Facilities capital projects 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

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 2014 compared to 2013:

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

(Table 1)
Net Position - Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$6,044,943	\$6,332,105	(\$287,162)
Capital Assets, Net	20,280,094	20,885,546	(605,452)
<i>Total Assets</i>	<u>26,325,037</u>	<u>27,217,651</u>	<u>(892,614)</u>
Liabilities			
Current and Other Liabilities	535,551	616,328	80,777
Long Term Liabilities:			
Due Within One Year	243,918	280,429	36,511
Due in More than One Year	7,264,522	7,426,203	161,681
<i>Total Liabilities</i>	<u>8,043,991</u>	<u>8,322,960</u>	<u>278,969</u>
Deferred Inflows of Resources	<u>1,894,523</u>	<u>1,887,745</u>	<u>(6,778)</u>
Net Position			
Investment in Capital Assets	13,180,094	13,659,781	(479,687)
Restricted:			
Capital Projects	1,107,970	1,140,997	(33,027)
Debt Service	368,638	348,235	20,403
Unclaimed Monies	457	286	171
Other Purposes	784,707	768,170	16,537
Unrestricted	944,657	1,089,477	(144,820)
<i>Total Net Position</i>	<u><u>\$16,386,523</u></u>	<u><u>\$17,006,946</u></u>	<u><u>(\$620,423)</u></u>

As one can see from the overall ending net position, the School District continues to provide the services that the School District citizens expect while maintaining the costs of providing those services during the current economic recession.

Total assets for the School District decreased from the reduction in cash as construction projects wrap up and finishing touches are put in place, as well as current year depreciation expense reducing net capital assets.

Overall total liabilities decreased due to the decrease of contracts payable from the construction projects starting to wrap up and the continued pay-down on outstanding debt.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2014 and 2013.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

(Table 2)
Change in Net Position - Governmental Activities

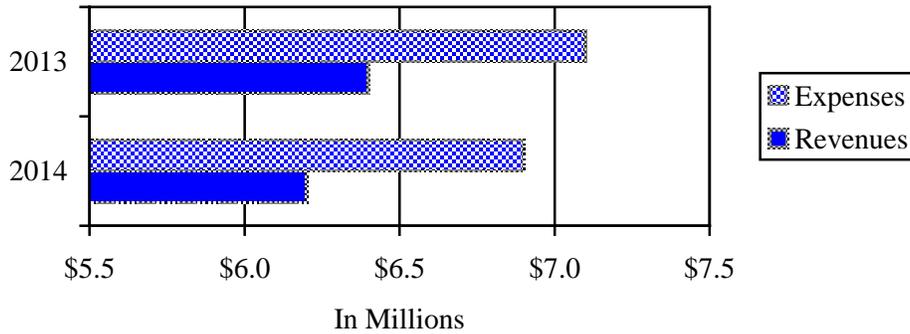
	2014	2013	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$723,045	\$641,650	\$81,395
Operating Grants, Contributions and Interest	750,003	725,152	24,851
Capital Grants	0	44,821	(44,821)
<i>Total Program Revenues</i>	<u>1,473,048</u>	<u>1,411,623</u>	<u>61,425</u>
General Revenues			
Property Taxes	1,913,165	1,863,820	49,345
Grants and Entitlements not Restricted to Specific Programs	2,808,313	2,837,557	(29,244)
Investment Earnings	7,524	8,511	(987)
Gain on Disposal of Capital Assets	4,929	4,606	323
Gas Royalties	0	250,261	(250,261)
Miscellaneous	28,720	72,890	(44,170)
<i>Total General Revenues</i>	<u>4,762,651</u>	<u>5,037,645</u>	<u>(274,994)</u>
<i>Total Revenues</i>	<u>6,235,699</u>	<u>6,449,268</u>	<u>(213,569)</u>
Program Expenses			
Instruction:			
Regular	3,479,183	3,657,781	178,598
Special	443,693	498,238	54,545
Vocational	6,088	21,848	15,760
Support Services:			
Pupil	223,642	239,267	15,625
Instructional Staff	72,230	61,316	(10,914)
Board of Education	74,064	54,289	(19,775)
Administration	389,837	395,968	6,131
Fiscal	245,627	278,011	32,384
Business	27,200	28,005	805
Operation and Maintenance of Plant	517,899	506,123	(11,776)
Pupil Transportation	515,764	376,361	(139,403)
Central	14,854	17,653	2,799
Operation of Non-Instructional Services	100	31,884	31,784
Food Service Operations	199,978	231,968	31,990
Extracurricular Activities	339,447	371,952	32,505
Interest and Fiscal Charges	306,516	364,459	57,943
<i>Total Expenses</i>	<u>6,856,122</u>	<u>7,135,123</u>	<u>279,001</u>
Change in Net Position	(620,423)	(685,855)	65,432
<i>Net Position Beginning of Year</i>	17,006,946	17,692,801	(685,855)
<i>Net Position End of Year</i>	<u>\$16,386,523</u>	<u>\$17,006,946</u>	<u>(\$620,423)</u>

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Graph 1
Revenues and Expenses
(In Millions)

	2014	2013
Revenues	\$6.2	\$6.4
Expenses	6.9	7.1

Governmental Activities



Governmental Activities

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. Even with the current economic conditions the School District has been able to maintain their property tax revenue.

The vast majority of revenue supporting all activities is general revenue. The most significant portion of the general revenue is the grants and entitlements not restricted to specific programs. Southington Local School District proactively seeks out Federal and State funding sources in the forms of grants to ensure that programs of the School District are properly funded.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements. In fiscal year 2014, the School District saw a significant decrease in expenses. Instruction expenses decreased from replacing retiring teachers with entry level teachers, paying less in severance and a reduction in expenses related to technology equipment and community schools. Administration decreased from having a new principal and superintendent with the associated reduction in wages.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$3,928,964	\$2,772,679	\$4,177,867	\$3,129,460
Support Services:				
Pupil and Instructional Staff	295,872	293,772	300,583	299,533
Board of Education, Administration, Fiscal Services, Business and Central	751,582	745,188	773,926	763,154
Operation and Maintenance of Plant	517,899	489,659	506,123	478,042
Pupil Transportation	515,764	515,764	376,361	376,361
Operation of Non-Instructional Services	100	100	31,884	31,884
Food Service Operations	199,978	(8,177)	231,968	6,709
Extracurricular Activities	339,447	267,573	371,952	273,898
Interest and Fiscal Charges	306,516	306,516	364,459	364,459
<i>Total Expenses</i>	<u>\$6,856,122</u>	<u>\$5,383,074</u>	<u>\$7,135,123</u>	<u>\$5,723,500</u>

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 2014. This amount is less than fiscal year 2013 due to the School District receiving gas royalties in fiscal year 2013 that were not received again in fiscal year 2014. 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 \$6,191,899 and expenditures of \$6,449,375. The general fund had a decrease in fund balance which can be attributed to expenditures outpacing revenues. The bond retirement fund had a small increase in fund balance which can be attributed to a decrease in debt payments made. The Ohio School Facilities fund had an increase in fund balance which can be attributed to revenues outpacing expenditures. The classroom facilities maintenance fund had an increase in fund balance which can be attributed to revenues outpacing expenditures.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 2014, 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 expenses but provide flexibility for program based decision and management.

Actual revenue received was slightly higher than the certification primarily due to more intergovernmental revenue and charges for services coming to the School District than expected. 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

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		
	2014	2013	Change
Land	\$224,230	\$224,230	\$0
Land and Improvements	2,663,041	2,767,139	(104,098)
Buildings and Improvements	15,166,012	15,604,288	(438,276)
Furniture and Equipment	1,975,318	2,150,169	(174,851)
Vehicles	251,493	139,720	111,773
Totals	\$20,280,094	\$20,885,546	(\$605,452)

All capital assets, except land, are reported net of depreciation. The net decrease in capital assets during the fiscal year resulted from annual depreciation being offset by additions of assets associated with the athletic complex which included land improvements, building upgrades and equipment. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2014, this amounted to \$99,738. See Note 11 to the basic financial statements for additional information on the School District's capital assets and Note 19 for additional information regarding required set-asides.

Southington Local School District
Management's Discussion and Analysis
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Debt

At June 30, 2014, the School District had general obligation bonds outstanding in the amount of \$7,254,818. These bonds were issued for the School District portion of the Ohio School Facilities Commission project. These bonds will be fully repaid in fiscal year 2036. Please see Note 12 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 be a responsible and conservative custodian of the public's monies. With the passage of a four year renewal levy the School District will continue to work within the confines of the budget it has set forth.

The largest project concluding for the School District was the construction of a new school building which houses all grades and the demolition of the old school building. 70 percent of the funding for this project was provided by the Ohio School Facilities Commission. The local share of the project, 30 percent of the funding for the building, was provided by a bond issue which was passed by the voters in February, 2007. The voters also passed an additional 1.5 mill levy for maintenance of the new building as well as a Locally Funded Initiative bond issue in the amount of \$1,552,260 for construction and improvement of facilities other than classrooms, such as an athletic complex and water treatment facilities. The voters also passed a renewal 3.95 mill emergency levy in fiscal year 2011, which will continue to generate \$250,000 annually for 4 years.

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@neomin.org.

Southington Local School District

Statement of Net Position

June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,786,347
Accounts Receivable	3,219
Accrued Interest Receivable	91
Intergovernmental Receivable	116,273
Property Taxes Receivable	2,139,013
Nondepreciable Capital Assets	224,230
Depreciable Capital Assets, Net	<u>20,055,864</u>
<i>Total Assets</i>	<u>26,325,037</u>
Liabilities	
Accounts Payable	40,473
Accrued Wages and Benefits	359,339
Intergovernmental Payable	97,927
Matured Compensated Absences Payable	11,887
Accrued Interest Payable	25,925
Long-Term Liabilities:	
Due Within One Year	243,918
Due In More Than One Year	<u>7,264,522</u>
<i>Total Liabilities</i>	<u>8,043,991</u>
Deferred Inflows of Resources	
Property Taxes	<u>1,894,523</u>
Net Position	
Net Investment in Capital Assets	13,180,094
Restricted for:	
Capital Projects	1,107,970
Debt Service	368,638
Unclaimed Monies	457
Other Purposes	784,707
Unrestricted	<u>944,657</u>
<i>Total Net Position</i>	<u><u>\$16,386,523</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	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	\$3,479,183	\$499,534	\$199,696	(\$2,779,953)
Special	443,693	66,861	384,559	7,727
Vocational	6,088	5,571	64	(453)
Support Services:				
Pupil	223,642	0	0	(223,642)
Instructional Staff	72,230	0	2,100	(70,130)
Board of Education	74,064	0	0	(74,064)
Administration	389,837	0	0	(389,837)
Fiscal	245,627	0	994	(244,633)
Business	27,200	0	0	(27,200)
Operation and Maintenance of Plant	517,899	0	28,240	(489,659)
Pupil Transportation	515,764	0	0	(515,764)
Central	14,854	0	5,400	(9,454)
Operation of Non-Instructional Services	100	0	0	(100)
Food Service Operations	199,978	79,205	128,950	8,177
Extracurricular Activities	339,447	71,874	0	(267,573)
Interest and Fiscal Charges	306,516	0	0	(306,516)
Totals	\$6,856,122	\$723,045	\$750,003	(5,383,074)

General Revenues

Property Taxes Levied for:	
General Purposes	1,373,130
Debt Service	457,628
Classroom Facilities Maintenance	82,407
Grants and Entitlements not Restricted to Specific Programs	2,808,313
Investment Earnings	7,524
Gain on Disposal of Capital Assets	4,929
Miscellaneous	28,720
Total General Revenues	4,762,651
Change in Net Position	(620,423)
<i>Net Position</i>	
<i>Beginning of Year (Restated - See Note 4)</i>	17,006,946
<i>Net Position End of Year</i>	16,386,523

See accompanying notes to the basic financial statements

Southington Local School District

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,406,497	\$519,853	\$492,394	\$967,578	\$399,568	\$3,785,890
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	457	0	0	0	0	457
Accounts Receivable	2,838	0	0	0	381	3,219
Accrued Interest Receivable	0	0	87	0	4	91
Intergovernmental Receivable	34,445	0	0	0	81,828	116,273
Interfund Receivable	25,902	0	0	0	0	25,902
Property Taxes Receivable	1,535,551	91,288	512,174	0	0	2,139,013
<i>Total Assets</i>	<u>\$3,005,690</u>	<u>\$611,141</u>	<u>\$1,004,655</u>	<u>\$967,578</u>	<u>\$481,781</u>	<u>\$6,070,845</u>
Liabilities						
Accounts Payable	\$23,902	\$9,866	\$0	\$0	\$6,705	\$40,473
Accrued Wages and Benefits	333,610	0	0	0	25,729	359,339
Interfund Payable	0	0	0	0	25,902	25,902
Matured Compensated Absences Payable	11,887	0	0	0	0	11,887
Intergovernmental Payable	90,854	0	0	0	7,073	97,927
<i>Total Liabilities</i>	<u>460,253</u>	<u>9,866</u>	<u>0</u>	<u>0</u>	<u>65,409</u>	<u>535,528</u>
Deferred Inflows of Resources						
Property Taxes	1,358,213	81,036	455,274	0	0	1,894,523
Unavailable Revenue	161,038	9,310	51,670	0	81,828	303,846
<i>Total Deferred Inflows of Resources</i>	<u>1,519,251</u>	<u>90,346</u>	<u>506,944</u>	<u>0</u>	<u>81,828</u>	<u>2,198,369</u>
Fund Balances						
Nonspendable	457	0	0	0	0	457
Restricted	0	510,929	497,711	967,578	356,719	2,332,937
Committed	1,250	0	0	0	0	1,250
Assigned	474,598	0	0	0	0	474,598
Unassigned (Deficit)	549,881	0	0	0	(22,175)	527,706
<i>Total Fund Balances</i>	<u>1,026,186</u>	<u>510,929</u>	<u>497,711</u>	<u>967,578</u>	<u>334,544</u>	<u>3,336,948</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,005,690</u>	<u>\$611,141</u>	<u>\$1,004,655</u>	<u>\$967,578</u>	<u>\$481,781</u>	<u>\$6,070,845</u>

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, 2014*

Total Governmental Fund Balances	\$3,336,948
-----------------------------------------	--------------------

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.	20,280,094
-------------------------------------------------------------------------------------------------------------------------	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:

Delinquent Property Taxes	222,018
Grants	<u>81,828</u>

Total	303,846
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In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(25,925)
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(7,254,818)
Compensated Absences	<u>(253,622)</u>

Total	<u>(7,508,440)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$16,386,523</u></u>
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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, 2014

	General	Classroom Facilities Maintenance	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$1,359,454	\$81,564	\$452,806	\$0	\$0	\$1,893,824
Intergovernmental	3,002,560	28,240	84,058	0	421,478	3,536,336
Interest	4,104	0	87	1,449	2,040	7,680
Tuition and Fees	491,011	0	0	0	0	491,011
Extracurricular Activities	12,496	0	0	0	59,378	71,874
Contributions and Donations	0	0	0	0	2,294	2,294
Charges for Services	80,955	0	0	0	79,205	160,160
Miscellaneous	28,720	0	0	0	0	28,720
<i>Total Revenues</i>	<u>4,979,300</u>	<u>109,804</u>	<u>536,951</u>	<u>1,449</u>	<u>564,395</u>	<u>6,191,899</u>
Expenditures						
Current:						
Instruction:						
Regular	2,701,679	0	0	0	202,750	2,904,429
Special	355,725	0	0	0	110,754	466,479
Vocational	4,707	0	0	0	0	4,707
Support Services:						
Pupil	227,985	0	0	0	0	227,985
Instructional Staff	34,550	0	0	0	16,861	51,411
Board of Education	77,085	0	0	0	0	77,085
Administration	401,818	0	0	0	0	401,818
Fiscal	237,909	1,871	9,854	0	4,908	254,542
Business	28,309	0	0	0	0	28,309
Operation and Maintenance of Plant	441,533	77,925	0	0	7,500	526,958
Pupil Transportation	441,311	0	0	0	50,000	491,311
Central	15,460	0	0	0	0	15,460
Operation of Non-Instructional Services	0	0	0	0	100	100
Operation of Food Services	0	0	0	0	203,064	203,064
Extracurricular Activities	85,436	0	0	0	134,662	220,098
Capital Outlay	0	0	0	0	56,444	56,444
Debt Service:						
Principal Retirement	0	0	205,000	0	0	205,000
Interest and Fiscal Charges	0	0	314,175	0	0	314,175
<i>Total Expenditures</i>	<u>5,053,507</u>	<u>79,796</u>	<u>529,029</u>	<u>0</u>	<u>787,043</u>	<u>6,449,375</u>
<i>Excess of Revenues Over (Under)</i> <i>Expenditures</i>	<u>(74,207)</u>	<u>30,008</u>	<u>7,922</u>	<u>1,449</u>	<u>(222,648)</u>	<u>(257,476)</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	4,929	0	0	0	0	4,929
Transfers In	0	0	0	0	72,592	72,592
Transfers Out	(72,592)	0	0	0	0	(72,592)
<i>Total Other Financing Sources (Uses)</i>	<u>(67,663)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>72,592</u>	<u>4,929</u>
<i>Net Change in Fund Balances</i>	<u>(141,870)</u>	<u>30,008</u>	<u>7,922</u>	<u>1,449</u>	<u>(150,056)</u>	<u>(252,547)</u>
Fund Balances						
<i>Beginning of Year (Restated - See Note 4)</i>	<u>1,168,056</u>	<u>480,921</u>	<u>489,789</u>	<u>966,129</u>	<u>484,600</u>	<u>3,589,495</u>
<i>Fund Balances End of Year</i>	<u>\$1,026,186</u>	<u>\$510,929</u>	<u>\$497,711</u>	<u>\$967,578</u>	<u>\$334,544</u>	<u>\$3,336,948</u>

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, 2014*

Net Change in Fund Balances - Total Governmental Funds	(\$252,547)
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
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	304,386
Current Year Depreciation	<u>(909,838)</u>
Total	(605,452)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	19,341
Grants	<u>19,530</u>
Total	38,871
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.	205,000
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	513
Amortization of Bond Premium	<u>7,146</u>
Total	7,659
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	(31,454)
Early Retirement Incentive	<u>17,500</u>
Total	<u>(13,954)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$620,423)</u></u>

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$1,343,632	\$1,355,417	\$1,355,610	\$193
Intergovernmental	2,889,122	3,004,146	3,006,134	1,988
Interest	4,316	4,166	4,104	(62)
Tuition and Fees	370,582	450,207	450,813	606
Charges for Services	83,457	33,457	80,808	47,351
Miscellaneous	213,378	46,500	47,455	955
<i>Total Revenues</i>	<u>4,904,487</u>	<u>4,893,893</u>	<u>4,944,924</u>	<u>51,031</u>
Expenditures				
Current:				
Instruction:				
Regular	2,945,800	2,879,059	2,712,552	166,507
Special	353,550	353,550	346,256	7,294
Vocational	1,997	3,200	3,200	0
Support Services:				
Pupil	213,968	228,030	228,030	0
Instructional Staff	52,767	52,767	39,104	13,663
Board of Education	75,245	88,982	88,982	0
Administration	406,831	427,090	427,090	0
Fiscal	243,105	245,328	245,328	0
Business	28,351	28,351	28,309	42
Operation and Maintenance of Plant	478,939	487,838	485,750	2,088
Pupil Transportation	327,178	487,178	474,135	13,043
Central	14,704	15,095	15,095	0
Extracurricular Activities	131,533	131,585	74,871	56,714
<i>Total Expenditures</i>	<u>5,273,968</u>	<u>5,428,053</u>	<u>5,168,702</u>	<u>259,351</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(369,481)</u>	<u>(534,160)</u>	<u>(223,778)</u>	<u>310,382</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,271	4,771	4,929	158
Advances In	0	4,400	4,409	9
Advances Out	(4,409)	(26,941)	(26,941)	0
Transfers Out	(72,635)	(72,635)	(72,592)	43
<i>Total Other Financing Sources (Uses)</i>	<u>(75,773)</u>	<u>(90,405)</u>	<u>(90,195)</u>	<u>210</u>
<i>Net Change in Fund Balance</i>	<u>(445,254)</u>	<u>(624,565)</u>	<u>(313,973)</u>	<u>310,592</u>
<i>Fund Balance Beginning of Year</i>	1,439,219	1,439,219	1,439,219	0
Prior Year Encumbrances Appropriated	133,506	133,506	133,506	0
<i>Fund Balance End of Year</i>	<u>\$1,127,471</u>	<u>\$948,160</u>	<u>\$1,258,752</u>	<u>\$310,592</u>

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
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$13,094	\$81,334	\$81,338	\$4
Intergovernmental	0	28,243	28,240	(3)
<i>Total Revenues</i>	<u>13,094</u>	<u>109,577</u>	<u>109,578</u>	<u>1</u>
Expenditures				
Current:				
Support Services:				
Fiscal	1,773	1,871	1,871	0
Operation and Maintenance of Plant	63,227	110,629	100,474	10,155
<i>Total Expenditures</i>	<u>65,000</u>	<u>112,500</u>	<u>102,345</u>	<u>10,155</u>
<i>Net Change in Fund Balance</i>	(51,906)	(2,923)	7,233	10,156
<i>Fund Balance Beginning of Year</i>	470,803	470,803	470,803	0
Prior Year Encumbrances Appropriated	9,402	9,402	9,402	0
<i>Fund Balance End of Year</i>	<u>\$428,299</u>	<u>\$477,282</u>	<u>\$487,438</u>	<u>\$10,156</u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$29,567</u>
Liabilities	
Due to Students	\$11,221
Deposits Held and Due to Others	<u>18,346</u>
<i>Total Liabilities</i>	<u>\$29,567</u>

See accompanying notes to the basic financial statements

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Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 1 instructional/support facility staffed by 26 classified employees, 40 certified employees and 2 administrative employees who provide services to 577 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.

Non-public Schools - Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity 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 17 and 18 to the basic financial statements.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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:

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

General Fund The general fund is the operating fund of the School District and is used to account and report for 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.

Classroom Facilities Maintenance Special Revenue Fund The classroom facilities maintenance special revenue fund accounts for and reports property taxes restricted for the maintenance of classroom facilities.

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.

Ohio School Facilities Capital Projects Fund The Ohio School Facilities capital projects fund accounts for and reports State grants restricted for the acquisition and construction of classroom facilities.

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 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 deferred outflows of resources 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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 8). 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, represents 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.

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 as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the 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 and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014, 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 2014 amounted to \$4,104, which includes \$1,165 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.

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 fair market values as of the date received. The School District maintains a capitalization threshold of two thousand 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, 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:

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 represents the remaining amount that is not restricted or committed. These amounts are assigned 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 extracurricular activities and to cover a gap between estimated revenue and appropriations in the fiscal year 2015 budget.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

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 received 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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	Classroom Facilities Maintenance	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total
<i>Nonspendable</i>						
Unclaimed Monies	\$457	\$0	\$0	\$0	\$0	\$457
<i>Restricted for</i>						
Food Service Operations	0	0	0	0	128,588	128,588
Scholarships and Awards	0	0	0	0	48,022	48,022
Athletics	0	0	0	0	39,287	39,287
Classroom Facilities Maintenance	0	510,929	0	0	0	510,929
Instructional Services	0	0	0	0	430	430
Debt Service Payments	0	0	497,711	0	0	497,711
Capital Improvements	0	0	0	967,578	140,392	1,107,970
<i>Total Restricted</i>	0	510,929	497,711	967,578	356,719	2,332,937
<i>Committed to</i>						
Future Severance Payments	1,250	0	0	0	0	1,250
<i>Assigned to</i>						
Extracurricular Activities	20,936	0	0	0	0	20,936
Fiscal Year 2015 Operations	353,406	0	0	0	0	353,406
Purchases on Order	100,256	0	0	0	0	100,256
<i>Total Assigned</i>	474,598	0	0	0	0	474,598
<i>Unassigned (Deficit)</i>	549,881	0	0	0	(22,175)	527,706
<i>Total Fund Balances</i>	\$1,026,186	\$510,929	\$497,711	\$967,578	\$334,544	\$3,336,948

Note 4 – Restatement of Fund Balance and Net Position

During fiscal year 2014, it was determined that contracts payable were overstated in the Ohio School Facilities capital projects fund. This had the following effect on fund balance as previously stated:

	General	Classroom Facilities Maintenance	Bond Retirement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Fund Balance, June 30, 2013	\$1,168,056	\$480,921	\$489,789	\$948,378	\$484,600	\$3,571,744
Adjustment for Contracts Payable	0	0	0	17,751	0	17,751
Adjusted Fund Balance, June 30, 2013	\$1,168,056	\$480,921	\$489,789	\$966,129	\$484,600	\$3,589,495

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

During fiscal year 2014, it was determined that contracts payable were overstated in the Ohio School Facilities capital projects fund. This had the following effect on net position as previously stated:

	Governmental Activities
Net Position, June 30, 2013	\$16,989,195
Adjustment for Contracts Payable	17,751
Adjusted Net Position June 30, 2013	\$17,006,946

Note 5 – Accountability

At June 30, 2014, the title VI-B, title I and the miscellaneous federal grants special revenue funds had deficit fund balances of \$10,950, \$7,754 and \$3,471, 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 6 - 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 and major special revenue funds are 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 and major special revenue funds.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Net Change in Fund Balance	
	General	Classroom Facilities Maintenance
GAAP Basis	(\$141,870)	\$30,008
Net Adjustment for Revenue Accruals	(1,046)	(226)
Advances In	4,409	0
Net Adjustment for Expenditure Accruals	(18,324)	9,866
Advances Out	(26,941)	0
Perspective Difference:		
Uniform School Supply	2,809	0
Public School Support	(5,597)	0
Encumbrances	(127,413)	(32,415)
Budget Basis	(\$313,973)	\$7,233

Note 7 - Deposits and Investments

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

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

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

Interim monies 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations 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 division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances 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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,163,772 of the School District's bank balance of \$3,852,001 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 8 - 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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.

Southington Local School District
Notes to the Basic Financial Statements
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Public utility property tax revenues received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 become a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 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, 2014, are available to finance fiscal year 2014 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, 2014 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, 2014 was \$16,300 in the general fund, \$942 in the classroom facilities special revenue fund and \$5,230 in the bond retirement debt service fund. The amount available as an advance at June 30, 2013, was \$12,456 in the general fund, \$716 in the classroom facilities special revenue fund and \$3,960 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$62,350,700	97.29 %	\$62,578,060	97.06 %
Public Utility Personal	1,739,030	2.71	1,896,220	2.94
Total	\$64,089,730	100.00 %	\$64,474,280	100.00 %
Full Tax rate per \$1,000 of assessed valuation	\$51.15		\$51.15	

Note 9 - Receivables

Receivables at June 30, 2014, 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:

Southington Local School District
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For the Fiscal Year Ended June 30, 2014

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Miscellaneous Federal Grants	\$42,971
State of Ohio	24,250
Title I Grant	23,941
Title VI-B Grant	12,880
Catastrophic Costs	9,461
Title II-A Grant	2,036
Medicaid	734
Total	<u>\$116,273</u>

Note 10 – 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 terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

The School District is a party to legal proceedings seeking damages. The School District is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Lease

The Board of Education has entered into a “Paid-Up” Oil and Gas Lease effective April 1, 2012 and continuing through April 1, 2017 with BP America Production Company. In consideration of the execution of the leases, the School District received bonuses of \$250,261 during fiscal year 2013. The School District has a total of 64.1696 acres subject to the lease provisions which call for payments to the lessor, in addition to the bonus, royalties, less all taxes, assessments, and adjustments on production from the leasehold in the amount of 17.50 percent for oil or gas. As of the date of the financial statements, the value of any potential royalties cannot be determined, and the School District has not received any financial compensation beyond the bonus.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Nondepreciable Capital Assets				
Land	\$224,230	\$0	\$0	\$224,230
Depreciable Capital Assets				
Land and Improvements	2,993,161	45,925	0	3,039,086
Buildings and Improvements	16,589,009	97,439	0	16,686,448
Furniture, Fixtures and Equipment	2,545,317	0	0	2,545,317
Vehicles	477,442	161,022	(64,052)	574,412
<i>Total Depreciable Capital Assets</i>	<u>22,604,929</u>	<u>304,386</u>	<u>(64,052)</u>	<u>22,845,263</u>
Less: Accumulated Depreciation				
Land and Improvements	(226,022)	(150,023)	0	(376,045)
Buildings and Improvements	(984,721)	(535,715)	0	(1,520,436)
Furniture, Fixtures and Equipment	(395,148)	(174,851)	0	(569,999)
Vehicles	(337,722)	(49,249)	64,052	(322,919)
<i>Total Accumulated Depreciation</i>	<u>(1,943,613)</u>	<u>(909,838) *</u>	<u>64,052</u>	<u>(2,789,399)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>20,661,316</u>	<u>(605,452)</u>	<u>0</u>	<u>20,055,864</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$20,885,546</u>	<u>(\$605,452)</u>	<u>\$0</u>	<u>\$20,280,094</u>

* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$681,510
Special	2,699
Support Services	
Instructional Staff	23,805
Administration	1,208
Operation and Maintenance of Plant	11,954
Pupil Transportation	49,393
Operation of Non-Instructional Services	6,777
Extracurricular Activities	132,492
Total Depreciation Expense	<u>\$909,838</u>

Note 12 – 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	2023
Term Bonds	4.00 - 5.00	4,890,000	2036

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2008 Classroom Facilities					
Serial Bonds	\$2,415,000	\$0	\$205,000	\$2,210,000	\$215,000
Term Bonds	4,890,000	0	0	4,890,000	0
Unamortized Premium	161,964	0	7,146	154,818	0
<i>Total General Obligation Bonds</i>	<u>7,466,964</u>	<u>0</u>	<u>212,146</u>	<u>7,254,818</u>	<u>215,000</u>
<i>Other Long-Term Obligations</i>					
Compensated Absences	222,168	89,383	57,929	253,622	28,918
Early Retirement Incentive	17,500	0	17,500	0	0
<i>Total Other Long-Term Obligations</i>	<u>239,668</u>	<u>89,383</u>	<u>75,429</u>	<u>253,622</u>	<u>28,918</u>
Total Long-Term Liabilities	<u><u>\$7,706,632</u></u>	<u><u>\$89,383</u></u>	<u><u>\$287,575</u></u>	<u><u>\$7,508,440</u></u>	<u><u>\$243,918</u></u>

Compensated absences will be paid from the general fund and the food service and title I special revenue funds. The early retirement incentive was paid from the general fund.

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.

The term bonds maturing on December 1, 2024, 2026, 2028 and 2035 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective amounts as follows:

Year	Issue			
	\$610,000	\$665,000	\$740,000	\$2,875,000
2023	\$295,000	\$0	\$0	\$0
2025	0	325,000	0	0
2027	0	0	360,000	0
2029	0	0	0	400,000
2030	0	0	0	420,000
2031	0	0	0	370,000
2032	0	0	0	390,000
2033	0	0	0	410,000
2034	0	0	0	430,000
Total mandatory sinking fund payment	\$295,000	\$325,000	\$360,000	\$2,420,000
Amount due at stated maturity	315,000	340,000	380,000	455,000
Total	<u><u>\$610,000</u></u>	<u><u>\$665,000</u></u>	<u><u>\$740,000</u></u>	<u><u>\$2,875,000</u></u>
<i>Stated Maturity</i>	<u>12/1/2024</u>	<u>12/1/2026</u>	<u>12/1/2028</u>	<u>12/1/2035</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District's overall debt margin was zero with an unvoted debt margin of \$64,474 at June 30, 2014. The School District has been designated as an "approved special needs school district" by the Ohio Superintendent of Public Instruction. As a result, any portion of the otherwise non-exempt debt authorized by the School District's voters in excess of the 9 percent limitation is exempted from the limitation pursuant to Revised Code Section 133.06(D)(2). Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

	Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest
2015	\$215,000	\$307,875	\$0	\$0
2016	220,000	301,350	0	0
2017	225,000	294,534	0	0
2018	235,000	287,200	0	0
2019	240,000	279,481	0	0
2020-2024	1,075,000	1,018,424	295,000	226,681
2025-2029	0	0	1,720,000	928,722
2030-2034	0	0	1,990,000	469,500
2035-2036	0	0	885,000	44,875
Total	\$2,210,000	\$2,488,864	\$4,890,000	\$1,669,778

Note 13 - Defined Benefit Pension Plans

School Employees Retirement System

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$83,336, \$80,699 and \$79,151, respectively. For fiscal year 2014, 90.05 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Southington Local School District
Notes to the Basic Financial Statements
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State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$281,396 and \$1,289 for the fiscal year ended June 30, 2014, \$275,532 and \$1,147 for the fiscal year ended June 30, 2013, and \$276,741 and \$352 for the fiscal year ended June 30, 2012. For fiscal year 2014, 81.62 percent has been contributed for the DB plan and 81.62 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$84 made by the School District and \$66 made by the plan members. In addition, member contributions of \$1,013 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$11,200 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$12,091, \$11,783 and \$12,854, respectively. For fiscal year 2014, 90.05 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$4,835, \$4,559 and \$4,674 respectively. For fiscal year 2014, 90.05 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$21,646, \$21,195 and \$21,288 respectively. For fiscal year 2014, 81.62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Note 15 - 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 and classified employees is 312 days.

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. Any employee 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 78 days.

Early Retirement Incentive

A retirement incentive plan was implemented for fiscal year 2013, whereby a teacher shall be entitled to a retirement incentive of \$17,500 if the employee has thirty years of service credit with the State Teachers Retirement System as of August 30, 2013, with a minimum of one and a maximum of six employees to apply. The final payment on this incentive was made in fiscal year 2014.

Life Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Fort Dearborn Life 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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

family. Prescription drug is provided through Medical Mutual of Ohio and dental is provided through Coresource.

Note 16 - 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 2014, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Schools of Ohio Risk Sharing Authority (Note 18).

Professional liability is maintained in the amount of \$15,000,000 for single occurrence and \$15,000,000 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 \$29,425,936.

Settled claims have not exceeded this commercial coverage in any of the past three years. The School District significantly reduced the insurance coverage for professional liability and fleet by \$1,000,000, respectively.

Worker's Compensation

For fiscal year 2014, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). 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 Gates McDonald & Co. 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 17 - 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 \$15,435 to NEOMIN during fiscal year 2014.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Southington Local School District was not represented on the Governing Board during fiscal year 2014. 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 2014. To obtain financial information write to the Trumbull Career and Technical Center, Gary Ghizzoni, 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 its 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 2014. 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 18 – 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 Past 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 19 - 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, 2013	\$0
Current Year Set-aside Requirement	99,738
Offsets	(519,175)
Qualifying Disbursements	(21,539)
Total	(\$440,976)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2014	\$0

Although the School District had qualifying 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 20 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$72,592 to the athletics and music special revenue fund to help provide funding for fiscal year 2014.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Interfund Balances

Interfund balances at June 30, 2014, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
Other Governmental Funds	General Fund
Athletics and Music	\$3,800
Race to the Top	2,100
Miscellaneous Federal Grants	20,002
<i>Total</i>	\$25,902

The interfund receivables and payables 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 21 – 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:

<i>Major Funds:</i>	
General	\$127,413
Classroom Facilities Maintenance	32,415
<i>Other Governmental Funds</i>	58,651
<i>Total</i>	\$218,479



Dave Yost • Auditor of State

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 Southington Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 5, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
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www.ohioauditor.gov

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 5, 2015



Dave Yost • Auditor of State

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
MAY 26, 2015**