



Rea & associates *a brighter way*

Southern Local School District Columbiana County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2018

OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Southern Local School District
38095 State Route 39
Salineville, OH 43945

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

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

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Columbiana County, Ohio
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January 30, 2019

The Board of Education
Southern Local School District
Columbiana County, Ohio
38095 State Road 39 East
Salineville, OH 43945

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2, the School District restated the net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of the Net Pension Liability, Schedule of the School District's Contributions – Pension, Schedule of the School District's Proportionate Share of the Net OPEB Liability, and the Schedule of the School District's Contributions - OPEB* on pages 5-14, 67, 68-69, 71, and 72-73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards, as required *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

Southern Local School District
Columbiana County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position increased \$5,121,577, which represents a 90.96 percent increase from 2017 restated balances.
- Capital assets decreased \$126,106 during fiscal year 2018.
- During the year, outstanding debt decreased from \$3,348,677 to \$2,942,351 due to the principal payments.
- The School District implemented GASB 75, which reduced beginning net position as previously reported by \$2,959,616.
- A decrease in net pension liability and net OPEB liability substantially decreased all instructional and support services expenses compared to fiscal year 2017. See further explanation after Table 1.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole entire 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 view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general and bond retirement fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets

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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 takes into account 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 changes in net position. This 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 financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 17. 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, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general and bond retirement funds.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 is reconciled in the financial statements.

Proprietary Fund Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits and warehouse service programs. Because this service benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 22.

Reporting the School District's Fiduciary Responsibilities

The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities on page 25.

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These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities	
	2018	Restated 2017
Assets		
Current and Other Assets	\$ 6,172,987	\$ 5,434,357
Capital Assets	10,498,640	10,624,746
<i>Total Assets</i>	<u>16,671,627</u>	<u>16,059,103</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	43,151	49,875
Pension & OPEB	4,318,249	3,522,738
<i>Total Deferred Outflows of Resources</i>	<u>4,361,400</u>	<u>3,572,613</u>
Liabilities		
Current Liabilities	1,091,936	1,397,664
Long-Term Liabilities:		
Due Within One Year	451,169	436,215
Due in More Than One Year		
Pension & OPEB	14,179,229	17,787,796
Other Amounts	2,879,352	3,299,762
<i>Total Liabilities</i>	<u>18,601,686</u>	<u>22,921,437</u>
Deferred Inflows of Resources		
Property Taxes	2,264,457	2,312,840
Pension & OPEB	675,755	27,887
<i>Total Deferred Inflows of Resources</i>	<u>2,940,212</u>	<u>2,340,727</u>
Net Position		
Net Investment in Capital Assets	7,526,978	7,580,579
Restricted	1,355,727	888,800
Unrestricted	(9,391,576)	(14,099,827)
<i>Total Net Position</i>	<u>\$ (508,871)</u>	<u>\$ (5,630,448)</u>

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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For fiscal year 2018, the School District adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at July 1, 2017, from deficit of \$2,670,832 to \$5,630,448.

At year end, capital assets represented 63 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets was \$7,526,978 at June 30, 2018. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1,355,727 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of \$9,391,576 which has primarily been caused by GASB 68/75.

The significant decrease in net pension liability is largely the result of a change in benefit terms in which STRS reduced their COLA to zero coupled by a slight reduction in COLA benefits by SERS. The significant increase in deferred outflows and inflows related to pension/OPEB are primarily from the change of assumptions and the difference in projected and actual investments earnings, respectively. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL and are described in more detail in their respective notes.

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Table 2 shows the changes in net position for fiscal year 2018 and 2017.

Table 2
Changes in Net Position

	2018	2017
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,498,812	\$ 1,624,130
Operating Grants	1,625,291	1,451,118
<i>Total Program Revenues</i>	<u>3,124,103</u>	<u>3,075,248</u>
<i>General Revenues:</i>		
Property Taxes	3,636,011	2,917,864
Grants and Entitlements Not Restricted	7,801,411	7,276,231
Other	154,943	35,206
<i>Total General Revenues</i>	<u>11,592,365</u>	<u>10,229,301</u>
<i>Total Revenues</i>	<u>14,716,468</u>	<u>13,304,549</u>
Program Expenses		
Instruction:		
Regular	2,750,138	5,702,191
Special	562,934	1,112,500
Vocational	106,078	225,468
Other	63,245	14,018
Support Services:		
Pupils	430,584	681,322
Instructional Staff	442,988	312,297
Board of Education	747,441	381,076
Administration	688,103	1,030,175
Fiscal	569,920	503,265
Business	3,116	0
Operation and Maintenance of Plant	1,553,083	1,260,193
Pupil Transportation	305,324	915,278
Central	50,130	9,486
Operation of Non-Instructional Services:		
Food Service Operations	570,660	537,798
Community Services	35,345	188,276
Other	90,771	0
Extracurricular Activities	512,549	571,380
Debt Service:		
Interest and Fiscal Charges	112,482	151,420
<i>Total Expenses</i>	<u>9,594,891</u>	<u>13,596,143</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 5,121,577</u>	<u>\$ (291,594)</u>

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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$23,632 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$319,613. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$ 9,594,891
Negative OPEB Expense under GASB 75	319,613
2018 Contractually Required Contribution	<u>31,258</u>
Adjusted 2018 Program Expenses	9,945,762
Total 2017 Program Expenses under GASB 45	<u>13,596,143</u>
Decrease in Program Expenses not Related to OPEB	<u><u>\$ (3,650,381)</u></u>

The previously discussed decrease in net pension/OPEB liabilities, substantially decreased all instructional, support services and extracurricular activities expenses compared to fiscal year 2017.

The property taxes increased due to an increase in the amount of property taxes available for advance at year end, which can vary from year to year based on the date tax bills are send.

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Management's Discussion and Analysis
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(Unaudited)

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
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2018	2017	2018	2017
Instruction:				
Regular	\$ 2,750,138	\$ 5,702,191	\$ 1,674,567	\$ 4,460,908
Special	562,934	1,112,500	(564,533)	67,762
Vocational	106,078	225,468	73,373	191,839
Other	63,245	14,018	63,245	14,018
Support Services:				
Pupils	430,584	681,322	430,584	633,356
Instructional Staff	442,988	312,297	210,390	285,474
Board of Education	747,441	381,076	747,441	381,076
Administration	688,103	1,030,175	648,722	956,086
Fiscal	569,920	503,265	569,920	503,265
Business	3,116	0	3,116	0
Operation and Maintenance of Plant	1,553,083	1,260,193	1,550,028	1,260,193
Pupil Transportation	305,324	915,278	305,324	915,278
Central	50,130	9,486	50,130	9,486
Operation of Non-Instructional Services:				
Food Service Operations	570,660	537,798	92,822	76,224
Community Services	35,345	188,276	35,345	158,544
Other	90,771	0	90,771	455,966
Extracurricular Activities	512,549	571,380	377,061	0
Debt Service:				
Interest and Fiscal Charges	112,482	151,420	112,482	151,420
<i>Total Expenses</i>	\$ 9,594,891	\$ 13,596,143	\$ 6,470,788	\$ 10,520,895

The dependence upon general revenues for governmental activities is apparent. Over 67 percent of governmental activities are supported through taxes and other general revenues; such revenues are 79 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The total and net cost of services changes were primarily caused by the change in COLA related to NPL as previously discussed.

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Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The net change in fund balances for the fiscal year was an increase of \$110,385 for all governmental funds. The general fund's net change in fund balance for fiscal year 2018 was an increase of \$165,742. The bond retirement fund's net change in fund balance was an increase of \$165,707.

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 budgeted fund is the general fund.

During the course of fiscal year 2018, the School District did amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual revenue and other financing sources was \$1,391,528 higher than the final budget basis revenue of \$11,122,315. This increase was due to an underestimation of property taxes.

Final appropriations of \$12,564,110 were \$107,737 lower than the actual expenditures and other financing uses of \$12,671,847.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$10,498,640 invested in capital assets. Table 4 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities	
	2018	2017
Land	\$ 84,670	\$ 84,670
Construction in Progress	558,712	708,841
Land Improvements	259,253	297,258
Buildings and Improvements	9,239,951	9,123,008
Furniture and Equipment	93,312	117,035
Vehicles	224,282	248,481
Infrastructure	38,460	45,453
<i>Totals</i>	\$ 10,498,640	\$ 10,624,746

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The \$126,106 decrease in capital assets was attributable to depreciation exceeding capital asset purchases in the current year. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2018, the School District had \$2,942,351 in debt outstanding. See Notes 9 and 10 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2018	2017
General Obligation Bonds	\$ 1,475,000	\$ 1,648,741
Capital Lease Obligation	1,467,351	1,699,936
<i>Total</i>	\$ 2,942,351	\$ 3,348,677

Current Issues

The School District faces many challenges in the future. As the preceding information shows, the School District relies heavily upon grants, entitlements and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The School District may also face a situation where an operating levy may have to be passed by School District voters in the near future in order for the School District to obtain the necessary funds to meet its operating expenses.

The School District also faces a problem with some parts of its building nearing the end of its effective operational life. The School District completed a new building in 2000, but the new building additions were built around the old original building constructed in 1963. The older part of the building has mechanical replacement issues that are going to have to be dealt with in the near future.

The last challenge facing the School District is the future of state funding. In March of 1997 the Supreme Court found the State of Ohio to be operating an unconstitutional funding of the educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts who do not have the local capacity to generate operational revenue through levy initiatives. On December 11, 2002, the Ohio Supreme Court issued its opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Contacting the School District's Financial Management

This financial report is designed to provide our 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 money it receives. If you have any questions about this report or need additional financial information, contact Greg Sabbato, Treasurer of the Southern Local School District, 38095 State Route 39, Salineville, OH 43945 or greg.sabbato@omeresa.net.

Southern Local School District
Columbiana County, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,395,249
Cash and Cash Equivalents with Fiscal Agent	1,076,837
Receivables:	
Accounts	3,546
Intergovernmental	102,580
Property Taxes	2,594,775
Nondepreciable Capital Assets	643,382
Depreciable Capital Assets (Net)	9,855,258
<i>Total Assets</i>	16,671,627
Deferred Outflows of Resources	
Deferred Charges on Refunding	43,151
Pension	3,985,431
OPEB	332,818
<i>Total Deferred Outflows of Resources</i>	4,361,400
Liabilities	
Accounts Payable	44,723
Accrued Wages and Benefits	667,610
Intergovernmental Payable	265,959
Matured Compensated Absences Payable	34,287
Accrued Interest Payable	5,684
Claims Payable	73,673
Long Term Liabilities:	
Due Within One Year	451,169
Due In More Than One Year:	
Net Pension Liability	11,533,585
Net OPEB Liability	2,645,644
Other Amonts Due in More Than One Year	2,879,352
<i>Total Liabilities</i>	18,601,686
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	2,264,457
Pension	379,836
OPEB	295,919
<i>Total Deferred Inflows of Resources</i>	2,940,212
Net Position	
Net Investment in Capital Assets	7,526,978
Restricted For:	
Capital Outlay	31,732
Debt Service	881,544
Other Purposes	442,451
Unrestricted	(9,391,576)
<i>Total Net Position</i>	\$ (508,871)

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 2,750,138	\$ 1,075,201	\$ 370	\$ (1,674,567)
Special	562,934	232,496	894,971	564,533
Vocational	106,078	0	32,705	(73,373)
Other	63,245	0	0	(63,245)
Support Services:				
Pupils	430,584	0	0	(430,584)
Instructional Staff	442,988	0	232,598	(210,390)
Board of Education	747,441	0	0	(747,441)
Administration	688,103	0	39,381	(648,722)
Fiscal	569,920	0	0	(569,920)
Business	3,116	0	0	(3,116)
Operation and Maintenance of Plant	1,553,083	0	3,055	(1,550,028)
Pupil Transportation	305,324	0	0	(305,324)
Central	50,130	0	0	(50,130)
Operation of Non-Instructional Services:				
Food Service Operations	570,660	55,627	422,211	(92,822)
Community Services	35,345	0	0	(35,345)
Other	90,771	0	0	(90,771)
Extracurricular Activities	512,549	135,488	0	(377,061)
Debt Service:				
Interest and Fiscal Charges	112,482	0	0	(112,482)
Total	\$ 9,594,891	\$ 1,498,812	\$ 1,625,291	(6,470,788)

General Revenues

Property Taxes Levied for:	
General Purposes	2,986,676
Debt Service	365,527
Capital Outlay	235,870
Facilities Maintenance	47,938
Grants and Entitlements Not Restricted to Specific Programs	7,801,411
Investment Earnings	3,864
Miscellaneous	151,079
Total General Revenues	11,592,365
 <i>Change in Net Position</i>	 5,121,577
 <i>Net Position Beginning of Year (Restated - See Note 2)</i>	 (5,630,448)
<i>Net Position End of Year</i>	<u><u>\$ (508,871)</u></u>

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,242,254	\$ 845,958	\$ 307,037	\$ 2,395,249
Receivables:				
Accounts	3,546	0	0	3,546
Interfund	19,037	0	0	19,037
Intergovernmental	36,264	0	66,316	102,580
Property Taxes	1,926,103	341,270	327,402	2,594,775
<i>Total Assets</i>	<u>\$ 3,227,204</u>	<u>\$ 1,187,228</u>	<u>\$ 700,755</u>	<u>\$ 5,115,187</u>
Liabilities				
Accounts Payable	\$ 32,315	\$ 0	\$ 12,408	\$ 44,723
Accrued Wages and Benefits	616,292	0	51,318	667,610
Intergovernmental Payable	256,076	0	9,883	265,959
Matured Compensated Absences Payable	34,287	0	0	34,287
Interfund Payable	0	0	19,037	19,037
<i>Total Liabilities</i>	<u>938,970</u>	<u>0</u>	<u>92,646</u>	<u>1,031,616</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	1,662,419	303,522	298,516	2,264,457
Unavailable Revenue	170,390	24,311	54,636	249,337
<i>Total Deferred Inflows of Resources</i>	<u>1,832,809</u>	<u>327,833</u>	<u>353,152</u>	<u>2,513,794</u>
Fund Balances				
Restricted	0	859,395	307,588	1,166,983
Assigned	455,425	0	3,893	459,318
Unassigned	0	0	(56,524)	(56,524)
<i>Total Fund Balances</i>	<u>455,425</u>	<u>859,395</u>	<u>254,957</u>	<u>1,569,777</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 3,227,204</u>	<u>\$ 1,187,228</u>	<u>\$ 700,755</u>	<u>\$ 5,115,187</u>

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		\$ 1,569,777
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,498,640
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 36,053	
Delinquent Property Taxes	<u>213,284</u>	249,337
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,003,164
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(5,684)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		43,151
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds.		
Deferred Outflows - Pension	3,985,431	
Deferred Outflows - OPEB	332,818	
Net Pension Liability	(11,533,585)	
Net OPEB Liability	(2,645,644)	
Deferred Inflows - Pension	(379,836)	
Deferred Inflows - OPEB	<u>(295,919)</u>	(10,536,735)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
General Obligation Bonds	(1,475,000)	
Bond Premium	(69,425)	
Capital Lease Obligation	(1,467,351)	
Compensated Absences	<u>(318,745)</u>	<u>(3,330,521)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ (508,871)</u>

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 3,031,672	\$ 367,277	\$ 252,763	\$ 3,651,712
Intergovernmental	8,265,156	28,588	1,156,853	9,450,597
Tuition and Fees	1,273,378	0	0	1,273,378
Extracurricular Activities	38,005	0	97,483	135,488
Charges for Services	34,319	0	55,627	89,946
Miscellaneous	148,327	0	2,753	151,080
<i>Total Revenues</i>	<u>12,790,857</u>	<u>395,865</u>	<u>1,565,479</u>	<u>14,752,201</u>
Expenditures				
Current:				
Instruction:				
Regular	4,962,069	0	0	4,962,069
Special	977,765	0	378,283	1,356,048
Vocational	206,528	0	0	206,528
Other	63,245	0	0	63,245
Support Services:				
Pupils	635,366	0	0	635,366
Instructional Staff	270,811	0	0	270,811
Board of Education	747,441	0	220,360	967,801
Administration	973,670	0	81,758	1,055,428
Fiscal	547,838	9,507	7,340	564,685
Business	3,116	0	0	3,116
Operation and Maintenance of Plant	1,181,332	0	469,751	1,651,083
Pupil Transportation	947,170	0	0	947,170
Central	49,803	0	0	49,803
Extracurricular Activities	357,928	0	226,467	584,395
Operation of Non-Instructional Services:				
Food Service Operations	0	0	626,765	626,765
Community Services	35,345	0	0	35,345
Other	90,771	0	0	90,771
Capital Outlay	37,680	0	0	37,680
Debt Service:				
Principal Retirement	130,461	30,020	102,124	262,605
Interest and Fiscal Charges	22,776	190,631	57,695	271,102
<i>Total Expenditures</i>	<u>12,241,115</u>	<u>230,158</u>	<u>2,170,543</u>	<u>14,641,816</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>549,742</u>	<u>165,707</u>	<u>(605,064)</u>	<u>110,385</u>
Other Financing Sources (Uses)				
Transfers In	0	0	384,000	384,000
Transfers Out	(384,000)	0	0	(384,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(384,000)</u>	<u>0</u>	<u>384,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	165,742	165,707	(221,064)	110,385
<i>Fund Balances Beginning of Year</i>	<u>289,683</u>	<u>693,688</u>	<u>476,021</u>	<u>1,459,392</u>
<i>Fund Balances End of Year</i>	<u>\$ 455,425</u>	<u>\$ 859,395</u>	<u>\$ 254,957</u>	<u>\$ 1,569,777</u>

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds	\$	110,385
<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.		
Capital Asset Additions	\$ 603,768	
Current Year Depreciation	<u>(729,874)</u>	(126,106)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(15,059)	
Intergovernmental	<u>(24,538)</u>	(39,597)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital Leases	232,585	
Capital Appreciation Bond	30,020	
Accreted Interest on CAB	<u>159,980</u>	422,585
In the statement of activities, interest is accrued on outstanding bonds; and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	10,803	
Amortization of Premium on Bonds	10,820	
Amortization of Refunding Loss/Gain	<u>(6,724)</u>	14,899
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	773,948	
OPEB	<u>31,258</u>	805,206
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	2,631,391	
OPEB	<u>319,613</u>	2,951,004
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.		
		1,029,494
Some expenses reported in the statement of activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(30,034)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(16,259)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>5,121,577</u>

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Other Financing Sources	\$ 11,122,315	\$ 11,122,315	\$ 12,513,843	\$ 1,391,528
Expenditures and Other Financing Uses	11,964,110	12,564,110	12,671,847	(107,737)
Net Change in Fund Balance	(841,795)	(1,441,795)	(158,004)	1,283,791
<i>Fund Balance Beginning of Year</i>	1,244,667	1,244,667	1,244,667	0
Prior Year Encumbrances Appropriated	64,110	64,110	64,110	0
<i>Fund Balance End of Year</i>	<u>\$ 466,982</u>	<u>\$ (133,018)</u>	<u>\$ 1,150,773</u>	<u>\$ 1,283,791</u>

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2018

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 1,076,837
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	73,673
Net Position	
Unrestricted	1,003,164
<i>Total Net Position</i>	\$ 1,003,164

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 2,966,446
Operating Expenses	
Purchased Services	289,169
Claims	1,651,647
<i>Total Operating Expenses</i>	1,940,816
<i>Operating Income</i>	1,025,630
Non-Operating Revenues (Expenses)	
Interest	3,864
<i>Change in Net Position</i>	1,029,494
<i>Net Position Beginning of Year</i>	(26,330)
<i>Net Position End of Year</i>	\$ 1,003,164

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Charges for Services	\$ 2,966,446
Cash Paid for Purchased Services	(289,169)
Cash Paid for Claims	(1,785,068)
<i>Net Cash Provided By Operating Activities</i>	<u>892,209</u>
Cash Flows From Investing Activities	
Interest on Investments	<u>3,864</u>
<i>Net Increase in Cash and Cash Equivalents with Fiscal Agent</i>	896,073
<i>Cash and Cash Equivalents with Fiscal Agent, Beginning of Year</i>	<u>180,764</u>
<i>Cash and Cash Equivalents with Fiscal Agent, End of Year</i>	<u><u>\$ 1,076,837</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income	\$ 1,025,630
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:	
Claims Payable	(133,421)
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 892,209</u></u>

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2018

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 69,118
Liabilities	
Accounts Payable	\$ 1,512
Due to Students	<u>67,606</u>
<i>Total Liabilities</i>	<u>\$ 69,118</u>

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Southern 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 Southern Local School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Southern Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s Governing Board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally 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 (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no components units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

The School District is involved with the Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Council of Governments (OME-RESA), the Columbiana County Career and Technical Center, which are defined as jointly governed organizations, the Jefferson Health Plan and Schools of Ohio Risk Sharing Authority are insurance purchasing pools, and the Ohio Association of School Business Officials is a public entity risk pool. Additional information concerning these organizations is presented in Notes 18, 19 and 20.

Management believes the basic financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control. There are no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Southern Local School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

A. 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.

The statement of net position presents the financial condition of the governmental activities of the School District at 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or 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 financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: government, proprietary and fiduciary.

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

General Fund The general fund is used to account for and report all financial resources not accounting for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Southern Local School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Bond Retirement Fund The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Type Proprietary funds are used to account for the School Districts ongoing activities which are similar to those often found in the private sector. The School District has no enterprise funds. The following is a description of the School District's internal service fund:

Internal Service Fund The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund of the School District accounts for a self-insurance program which provides medical/surgical, vision and dental benefits to employees.

Fiduciary Fund Type 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 fund accounts for student activities.

C. Measurement Focus

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. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the School District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the School District.

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.

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Southern Local School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the government activities of the government-wide financial statements are prepared. Government 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provide information about how the School District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the School District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues: Exchange and Non-Exchange Transactions Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

Non-exchange 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 6). 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

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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, student fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, for pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, income taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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.

E. Cash and Cash Equivalents

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

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Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund in fiscal year 2018 was zero.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Capital Assets

General capital 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. Donated capital assets are recorded at their acquisition values as of the date received. The School District's capitalization threshold is \$5,000. 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 for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 Years
Buildings and Improvements	20-50 Years
Infrastructure	50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 Years

G. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are reported as "due to/due from other funds." These amounts are eliminated in the governmental columns of the Statement of Net Position.

H. Compensated Absences

Compensated absences of the School District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the School District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued and a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits

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through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, employees age fifty or great with ten years of service or any age with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

I. Pensions and Other Postemployment Benefits (OPEB)

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

J. Bond Premiums

Bond premiums are recorded as another financing sources on the governmental fund statements. The bond premiums are amortized over the term of the bond using the straight-line method on the government-wide statements since the results are not significantly different from the effective-interest or bonds outstanding methods. Bond premiums are presented as an increase of the face amount of the bonds payable.

K. 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, 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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L. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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.

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M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes instructional activities, grants and extracurricular activities. At June 30, 2018, none of the School District's net position was restricted by enabling legislation.

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

N. Interfund Activity

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.

O. Estimates

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2018, the School District had no extraordinary or special terms.

Q. Budgetary Data

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

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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 budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed.

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 years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the year.

R. Implementation of New Accounting Policies and Restatement of Net Position

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

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

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

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Net Position, June 30, 2017	\$ (2,670,832)
Adjustments:	
Net OPEB Liability	(2,983,248)
Deferred Outflow-Payments Subsequent to Measurement Date	23,632
Restated Net Position, July 1, 2017	\$ (5,630,448)

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Non-Major Funds</u>	
Food Service	\$ 30,563
Title VI-B	10,212
Title I	9,935
Title IV-R	5,814

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

B. Compliance

Ohio Administrative Code 117-2-02(C)(1) states “All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial system.” For fiscal year 2018, the School District’s certificate of estimated resources and appropriations were materially different from the budgeted amounts entered into the financial system for the general fund and other governmental funds. The School District will review the budgetary amounts in the system to ensure the financial system agrees to the certificate of estimated resources and appropriations.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposits 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 and deposit accounts including, but not limited to, passbook accounts.

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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 and deposit accounts including passbook accounts.

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

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

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

Cash with Fiscal Agent

The School District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposits, since it is held in a pool made up of numerous participants.

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Investments

As of June 30, 2018, the School District had no investments.

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Balances

Interfund balances for the year ended June 30, 2018 consisted of the following, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
General Fund	\$ 19,037	\$ 0
Other Governmental Funds:		
Title I	0	3,134
Title VI-B	0	10,089
Title II-A	0	5,814
Total	\$ 19,037	\$ 19,037

The primary purpose of the interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received. All interfund loans are expected to be repaid within one year.

B. Interfund Transfers

During the fiscal year, the general fund transferred \$88,000 to the athletic fund, \$81,000 to the food service fund and \$215,000 to the permanent improvement fund to provide additional resources for current operations

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from June 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. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 45 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Columbiana, Carroll, and Jefferson Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date of the tax bills.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is 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.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 93,351,690	73%	\$ 92,115,970	70%
Public Utility Personal Property	34,270,507	27%	38,661,570	30%
Total Assessed Value	<u>\$ 127,622,197</u>	<u>100%</u>	<u>\$ 130,777,540</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed Value	<u>\$ 39.44</u>		<u>\$ 39.44</u>	

NOTE 7 – RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts, interfund, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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NOTE 8 - CAPITAL ASSETS

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

	Balance 06/30/2017	Additions	Reductions	Balance 06/30/2018
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 84,670	\$ 0	\$ 0	\$ 84,670
Construction in Progress	708,841	558,412	(708,541)	558,712
<i>Total Nondepreciable Capital Assets</i>	<u>793,511</u>	<u>558,412</u>	<u>(708,541)</u>	<u>643,382</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	802,061	0	0	802,061
Buildings and Improvements	17,697,497	715,391	0	18,412,888
Furniture and Equipment	494,881	0	0	494,881
Vehicles	1,351,161	38,506	0	1,389,667
Infrastructure	139,856	0	0	139,856
<i>Total Capital Assets, Being Depreciated</i>	<u>20,485,456</u>	<u>753,897</u>	<u>0</u>	<u>21,239,353</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(504,803)	(38,005)	0	(542,808)
Buildings and Improvements	(8,574,489)	(598,448)	0	(9,172,937)
Furniture and Equipment	(377,846)	(23,723)	0	(401,569)
Vehicles	(1,102,680)	(62,705)	0	(1,165,385)
Infrastructure	(94,403)	(6,993)	0	(101,396)
Total Accumulated Depreciation	<u>(10,654,221)</u>	<u>(729,874) *</u>	<u>0</u>	<u>(11,384,095)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>9,831,235</u>	<u>24,023</u>	<u>0</u>	<u>9,855,258</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 10,624,746</u>	<u>\$ 582,435</u>	<u>\$ (708,541)</u>	<u>\$ 10,498,640</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	558,289
Support Services:		
Instructional Staff		2,602
Administration		5,364
Operation and Maintenance of Plant		49,088
Pupil Transportation		43,216
Operation of Non-Instructional Services:		
Food Service Operations		4,691
Extracurricular Activities		66,624
Total Depreciation Expense	\$	729,874

NOTE 9 – CAPITAL LEASES – LESSEE DISCLOSURE

During fiscal year 2013, the School District entered into lease-purchase agreement with the Ohio School Building Leasing Corporation to finance football field renovations, bleachers and a building at the School District. The source of revenue to fund the principal and interest payments is derived from a permanent improvement tax levy. The football field renovations have been capitalized in the amount of \$1,209,684. At June 30, 2018 the net book value for the field renovations was \$915,498 after accumulated depreciation of \$294,186.

A liability in the amount of the present value of minimum lease payments has been recorded in the governmental activities of the School District. Principal and interest payments of \$102,124 and \$27,044, respectively, were paid by the permanent improvement fund (a nonmajor governmental fund) during fiscal year 2018.

During fiscal year 2017, the School District entered into a lease-purchase agreement with the Jefferson Health Plan to finance energy conservation infrastructure projects. Principal and interest payments of \$89,658 and \$18,790, respectively, were paid by the general fund and the bond retirement fund during fiscal year 2018. Capital assets of \$708,841 has been capitalized in buildings and improvements.

A liability in the amount of the present value lease payments has been recorded in the governmental activities of the School District.

During the current fiscal year 2017, the School District entered into a capitalized lease for buses. This lease met the criteria of a capital lease as defined by the generally accepted accounting principles, in that they transfer the benefits and risks of ownership to the lessee. The buses have been capitalized in the amount of \$171,102. This amount represents the present value of the minimum lease payments at the time of the acquisition. At June 30, 2018 the net book value for the buses was \$139,020 after accumulated depreciation of \$32,082.

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The capital lease payments are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances. A corresponding liability is recorded in the statement of net position. Principal payments and interest payments of \$40,803 and \$3,986, respectively, were paid by the permanent improvement fund (a nonmajor governmental fund) during fiscal year 2018.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018.

	Amount
Fiscal Year Ending June 30, 2019	\$ 282,407
2020	282,405
2021	237,616
2022	237,616
2023	237,615
2024-2026	344,455
	1,622,114
Less: amount representing interest	154,763
Present value of net minimum lease payments	\$ 1,467,351

NOTE 10 – LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Restated Outstanding 06/30/2017	Additions	Deductions	Outstanding 6/30/2018	Due Within One Year
Governmental Activities					
General Obligation Bonds					
2007 Refunding Bonds					
Current Interest Bonds	\$ 1,475,000	\$ 0	\$ 0	\$ 1,475,000	\$ 185,000
Capital Appreciation Bonds	30,020	0	(30,020)	0	0
Accretion on Capital Appreciation Bonds	143,721	16,259	(159,980)	0	0
Unamortized Premium	80,245	0	(10,820)	69,425	0
<i>Total General Obligation Bonds</i>	1,728,986	16,259	(200,820)	1,544,425	185,000
Net Pension Liability:					
Pension	14,804,548	0	(3,270,963)	11,533,585	0
OPEB	2,983,248	0	(337,604)	2,645,644	0
<i>Total Net Pension Liability</i>	17,787,796	0	(3,608,567)	14,179,229	0
Capital Lease	1,699,936	0	(232,585)	1,467,351	239,854
Compensated Absences	307,055	45,976	(34,286)	318,745	26,315
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	\$ 21,523,773	\$ 62,235	\$ (4,076,258)	\$ 17,509,750	\$ 451,169

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Pension Liability There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

Compensated Absences Compensated absences will be paid from the fund from which the employees' salaries are paid, which, for the School District, is primarily the general fund.

Series 2007 Refunding General Obligation Bonds On August 21, 2007, the School District issued general obligation bonds (Series 2007 refunding bonds) to advance refund the callable portion (\$2,465,000) of the Series 2001 general obligation bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue was comprised of both current interest bonds, par value \$2,400,000 and capital appreciation bonds par value \$64,998. The interest rates on the current interest bonds range from 3.75% - 4.35%. The capital appreciation bonds matured on December 1, 2016 and December 1, 2017 (stated interest rates 18.783%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

The general obligation bonds will be paid from property tax revenues of the bond retirement – debt service fund.

The following is a summary of the School District's annual debt service principal and interest payments on debt outstanding at June 30, 2018:

Fiscal Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 185,000	\$ 57,487
2020	195,000	49,649
2021	200,000	41,503
2022	210,000	33,020
2023	215,000	24,201
2024-2025	470,000	19,950
Total	\$ 1,475,000	\$ 225,810

NOTE 11 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 5 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment.

Principals, teachers, aides, secretaries, bus drivers, cafeteria workers do not ear vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus 90 days, not to

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exceed 300 days for certified employees and 280 for non-certified employees. Upon retirement, certified employees are paid one-fourth of their total sick leave accumulation up to their maximum accumulation.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Epic Life Insurance Company. Each full-time employee received \$30,000 in coverage.

NOTE 12– RISK MANAGEMENT

A. Comprehensive

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. For fiscal year 2016, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

General liability is protected by Schools of Ohio Risk Sharing Authority (SORSA) with a \$15,000,000 single occurrence limit and \$17,000,000 aggregate and no deductible. Vehicles, including school buses, are covered by Schools of Ohio Risk Sharing Authority (SORSA) and hold a \$0 deductible for comprehensive and collision. There is a \$15,000,000 combined single limit of liability.

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

B. Workers' Compensation Plan

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 19). The intent of the Plan 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 Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

C. Medical, Vision, Dental and Prescription Insurance

Medical, vision, dental and prescription insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of several School Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$73,673 reported in the internal service fund at June 30, 2018, is based on an estimate provided by Professional Risk Management (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

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Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2018	\$ 207,094	\$ 1,651,647	\$ (1,785,068)	\$ 73,673
2017	191,592	1,972,240	(1,956,738)	207,094

NOTE 13– DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

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

The School District’s contractually required contribution to SERS was \$154,675 for fiscal year 2018. Of this amount, \$754 is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$619,273 for fiscal year 2018. Of this amount, \$117,363 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04320810%	0.03768434%	
Prior Measurement Date	0.03604930%	0.03634591%	
Change in Proportionate Share	0.00715880%	0.00133843%	
Proportionate Share of the Net			
Pension Liability	\$ 2,581,589	\$ 8,951,996	\$ 11,533,585
Pension Expense	\$ 173,304	\$ (2,804,695)	\$ (2,631,391)

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District’s proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 111,102	\$ 345,683	\$ 456,785
Changes of Assumptions	133,496	1,957,900	2,091,396
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	346,153	317,149	663,302
School District Contributions Subsequent to the Measurement Date	<u>154,675</u>	<u>619,273</u>	<u>773,948</u>
Total Deferred Outflows of Resources	<u>\$ 745,426</u>	<u>\$ 3,240,005</u>	<u>\$ 3,985,431</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 72,150	\$ 72,150
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>12,257</u>	<u>295,429</u>	<u>307,686</u>
Total Deferred Inflows of Resources	<u>\$ 12,257</u>	<u>\$ 367,579</u>	<u>\$ 379,836</u>

\$773,948 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 225,427	\$ 482,190	\$ 707,617
2020	279,109	884,070	1,163,179
2021	134,141	651,219	785,360
2022	<u>(60,183)</u>	<u>235,674</u>	<u>175,491</u>
	<u>\$ 578,494</u>	<u>\$ 2,253,153</u>	<u>\$ 2,831,647</u>

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 3,582,574	\$ 2,581,589	\$ 1,743,059

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent effective July 1, 2017

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

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Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

*The target allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

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	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$ 12,832,381	\$ 8,951,996	\$ 5,683,353

Assumption Changes since the Prior Measurement Date

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes since the Prior Measurement Date

Effective July 1, 2017, the COLA was reduced to zero.

NOTE 14 – DEFINED BENEFITS OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$25,529.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$31,258 for fiscal year 2018. Of this amount \$25,557 is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.04379490%	0.03768434%	
Prior Measurement Date	0.03646751%	0.03634591%	
Change in Proportionate Share	0.00732739%	0.00133843%	
Proportionate Share of the Net OPEB Liability	\$ 1,175,340	\$ 1,470,304	\$ 2,645,644
OPEB Expense	\$ 118,818	\$ (438,431)	\$ (319,613)

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

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 0	\$ 84,875	\$ 84,875
Changes in Proportionate Share and Differences between School District Contributions and Proportionate Share of Contributions	155,332	61,353	216,685
School District Contributions Subsequent to the Measurement Date	31,258	0	31,258
Total Deferred Outflows of Resources	\$ 186,590	\$ 146,228	\$ 332,818
Deferred Inflows of Resources			
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	\$ 3,104	\$ 62,844	\$ 65,948
Changes of Assumptions	111,533	118,438	229,971
Total Deferred Inflows of Resources	\$ 114,637	\$ 181,282	\$ 295,919

\$31,258 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ 15,093	\$ (11,079)	\$ 4,014
2020	15,093	(11,079)	4,014
2021	11,285	(11,079)	206
2022	(776)	(11,079)	(11,855)
2023	0	4,632	4,632
Thereafter	0	4,630	4,630
	\$ 40,695	\$ (35,054)	\$ 5,641

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

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

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

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 1,419,373	\$ 1,175,340	\$ 982,004
		<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 953,700	\$ 1,175,340	\$ 1,468,684

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Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6.00 percent to 11.00 percent, initial, 4.50 percent ultimate

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

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

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

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

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

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

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

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

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

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

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	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$ 1,973,859	\$ 1,470,304	\$ 1,072,331
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,021,504	\$ 1,470,304	\$ 2,060,977

NOTE 15 – BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance – budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

GAAP Basis	\$	165,742
Net Adjustment for Revenue Accruals		(237,356)
Net Adjustment for Expenditure Accruals		15,763
Funds Budgeted Elsewhere**		(2,723)
Adjustment for Encumbrances		<u>(99,430)</u>
Budget Basis	<u>\$</u>	<u>(158,004)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

NOTE 16 – CONTINGENCIES AND COMMITMENTS

A. Grants

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

B. Litigation

The School District is not involved in material litigation as either plaintiff or defendant.

C. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$75,824 in the general fund and \$7,172 in the nonmajor governmental funds.

D. School District Foundation Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2018 are finalized. As a result, the net impact of the FTE adjustments on the fiscal year 2018 financial statements was a receivable of the School District.

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NOTE 17 – SET-ASIDES

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

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2017	\$ 0
Current Year Set-Aside Requirement	153,536
Current Year Qualifying Expenditures	(375,289)
 Totals	 \$ 0
Balance Carried Forward to Fiscal Year 2019	\$ 0
Set-Aside Restricted Balance as of June 30, 2018	\$ 0

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

NOTE 18 - JOINTLY GOVERNMENT ORGANIZATIONS

A. Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Council of Governments (OME-RESA)

OME-RESA is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records and test scoring.

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost effective accounting and other administrative and instructional computer services for participating Ohio school districts. The School District paid \$50,598 to OME-RESA during the fiscal year 2018.

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Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

B. Columbiana County Career and Technical Center

The Columbiana County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Columbiana County Career Center, Treasurer, 9364 State Route 45, Lisbon, Ohio 44432.

NOTE 19 - PUBLIC ENTITY RISK POOL

A. Ohio Association of School Business Officials

The School District participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school School Districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 20 - INSURANCE PURCHASING POOLS

A. Jefferson Health Plan

The School District is a member of the Jefferson Health Plan, a partially self-insured consortium of public employers in Ohio. The consortium has over 100 member organizations participating. Monthly accruals are paid to a custodian bank, U.S. Bank, acting as trustee on behalf of the fiscal agent. The trustees disburse payments to vendors for services rendered and to satisfy claim reimbursements for covered plan participants.

The Jefferson Health Plan is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of Jefferson Health Plan's member School Districts and acts in the capacity of fiscal agent for Jefferson Health Plan.

B. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), and insurance purchasing pool. SORSA's business affairs are conducted by a nine-member Board of Directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the School Districts property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

Southern Local School District
Columbiana County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 21 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Debt Service	0	859,395	0	859,395
Capital Outlay	0	0	10,091	10,091
Student Activities	0	0	12,104	12,104
Facilities Maintenance	0		271,074	271,074
Other Purposes	0	0	14,319	14,319
Total Restricted	0	859,395	307,588	1,166,983
Assigned for:				
Capital Outlay	0	0	3,893	3,893
Public School Support	11,595	0	0	11,595
Subsequent Year Appropriations	368,006	0	0	368,006
Encumbrances:				
Instruction	18,869	0	0	18,869
Support Services	45,080	0	0	45,080
Capital Outlay	11,875	0	0	11,875
Total Assigned	455,425	0	3,893	459,318
Unassigned	0	0	(56,524)	(56,524)
Total Fund Balance	\$ 455,425	\$ 859,395	\$ 254,957	\$ 1,569,777

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Southern Local School District
Columbiana County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
<i>School Employees Retirement System (SERS)</i>					
School District's Proportion of the Net Pension Liability	0.04320810%	0.03604930%	0.03353900%	0.03241900%	0.03241900%
School District's Proportionate Share of the Net Pension Liability	\$ 2,581,589	\$ 2,638,476	\$ 1,913,768	\$ 1,640,707	\$ 1,927,854
School District's Covered Payroll	\$ 1,679,714	\$ 1,201,786	\$ 1,009,697	\$ 942,027	\$ 1,003,324
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	153.69%	219.55%	189.54%	174.17%	192.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
<i>State Teachers Retirement System (STRS)</i>					
School District's Proportion of the Net Pension Liability	0.03768434%	0.03634591%	0.03376254%	0.03392511%	0.03392511%
School District's Proportionate Share of the Net Pension Liability	\$ 8,951,996	\$ 12,166,072	\$ 9,330,979	\$ 8,251,761	\$ 9,829,444
School District's Covered Payroll	\$ 4,202,157	\$ 3,951,314	\$ 3,522,557	\$ 3,466,208	\$ 3,650,815
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	213.03%	307.90%	264.89%	238.06%	269.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

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Southern Local School District
Columbiana County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 154,675	\$ 235,160	\$ 168,250	\$ 133,078
Contributions in Relation to the Contractually Required Contribution	<u>(154,675)</u>	<u>(235,160)</u>	<u>(168,250)</u>	<u>(133,078)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 1,145,741	\$ 1,679,714	\$ 1,201,786	\$ 1,009,697
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 619,273	\$ 588,302	\$ 553,184	\$ 493,158
Contributions in Relation to the Contractually Required Contribution	<u>(619,273)</u>	<u>(588,302)</u>	<u>(553,184)</u>	<u>(493,158)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 4,423,379	\$ 4,202,157	\$ 3,951,314	\$ 3,522,557
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 130,565	\$ 138,860	\$ 134,070	\$ 120,110	\$ 129,798	\$ 89,607
<u>(130,565)</u>	<u>(138,860)</u>	<u>(134,070)</u>	<u>(120,110)</u>	<u>(129,798)</u>	<u>(89,607)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 942,027	\$ 1,003,324	\$ 996,803	\$ 955,529	\$ 958,626	\$ 910,640
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$ 450,607	\$ 474,606	\$ 483,147	\$ 433,696	\$ 439,066	\$ 416,403
<u>(450,607)</u>	<u>(474,606)</u>	<u>(483,147)</u>	<u>(433,696)</u>	<u>(439,066)</u>	<u>(416,403)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,466,208	\$ 3,650,815	\$ 3,716,515	\$ 3,336,123	\$ 3,377,431	\$ 3,203,100
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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Southern Local School District
Columbiana County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	<u>2018</u>	<u>2017</u>
<i>School Employees Retirement System (SERS)</i>		
School District's Proportion of the Net OPEB Liability	0.04379490%	0.03646751%
School District's Proportionate Share of the Net OPEB Liability	\$ 1,175,340	\$ 1,039,459
School District's Covered Payroll	\$ 1,679,714	\$ 1,201,786
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	69.97%	86.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
<i>State Teachers Retirement System (STRS)</i>		
School District's Proportion of the Net OPEB Liability	0.03768434%	0.03634591%
School District's Proportionate Share of the Net OPEB Liability	\$ 1,470,304	\$ 1,943,789
School District's Covered Payroll	\$ 4,202,157	\$ 3,951,314
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.99%	49.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Southern Local School District
Columbiana County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution (1)	\$ 31,258	\$ 23,632	\$ 18,176	\$ 25,215
Contributions in Relation to the Contractually Required Contribution	<u>(31,258)</u>	<u>(23,632)</u>	<u>(18,176)</u>	<u>(25,215)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 1,140,156	\$ 1,679,714	\$ 1,201,786	\$ 1,009,697
OPEB Contributions as a Percentage of Covered Payroll (1)	2.74%	1.41%	1.51%	2.50%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 4,423,379	\$ 4,202,157	\$ 3,951,314	\$ 3,522,557
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 18,906	\$ 16,082	\$ 19,005	\$ 31,967	\$ 17,781	\$ 55,528
<u>(18,906)</u>	<u>(16,082)</u>	<u>(19,005)</u>	<u>(31,967)</u>	<u>(17,781)</u>	<u>(55,528)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 942,027	\$ 1,003,324	\$ 996,803	\$ 955,529	\$ 958,626	\$ 910,640
2.01%	1.60%	1.91%	3.35%	1.85%	6.10%
\$ 34,662	\$ 36,508	\$ 37,165	\$ 33,361	\$ 33,774	\$ 32,031
<u>(34,662)</u>	<u>(36,508)</u>	<u>(37,165)</u>	<u>(33,361)</u>	<u>(33,774)</u>	<u>(32,031)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,466,208	\$ 3,650,815	\$ 3,716,515	\$ 3,336,123	\$ 3,377,431	\$ 3,203,100
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Southern Local School District
Columbiana County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
 - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

Effective for fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

Southern Local School District
Columbiana County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Note 2 - Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

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January 30, 2019

To the Board of Education
Southern Local School District
Columbiana County, Ohio
38095 State Road 39 East
Salineville, OH 43945

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Columbiana County, Ohio (the "School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 30, 2019, in which we noted the School District restated net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompany *Schedule of Findings and Questioned Costs*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs*, as item 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-002.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying *Corrective Action Plan*. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Rea & Associates, Inc.

New Philadelphia, Ohio

January 30, 2019

To the Board of Education
Southern Local School District
Columbiana County, Ohio
38095 State Road 39 East
Salineville, OH 43945

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited Southern Local School District's, Columbiana County, Ohio (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the School District's compliance.

Basis for Qualified Opinion on the Special Education Cluster

As described in the accompanying *Schedule of Findings and Questioned Costs*, the School District did not comply with requirements regarding CFDA 84.027 Special Education Cluster as described in finding number 2018-005 for Matching, Level of Effort and Earmarking. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Qualified Opinion on the Special Education Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-004. Our opinion on the major federal program is not modified with respect to this matter.

The School District's responses to the noncompliance findings identified in our audit are described in the accompanying *Corrective Action Plan*. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items 2018-004 and 2018-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-006 to be a significant deficiency.

The School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying *Corrective Action Plan*. The School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Hea & Associates, Inc.

New Philadelphia, Ohio

Southern Local School District
Columbiana County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor Program Title	Grant Year	CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2017	84.010	\$ 18,242	\$ -
Title I Grants to Local Educational Agencies	2018	84.010	317,355	-
<i>Total Title I</i>			335,597	-
<i>Special Education Cluster:</i>				
Special Education Grants to States	2017	84.027	103,753	-
Special Education Grants to States	2018	84.027	191,979	-
<i>Total Special Education Cluster</i>			295,732	-
Rural Education	2018	84.358	8,047	-
<i>Total Rural Education</i>			8,047	-
Improving Teacher Quality State Grants	2018	84.367	38,707	-
<i>Total Improving Teacher Quality State Grants</i>			38,707	-
Total U.S. Department of Education			678,083	-
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2018	10.555	17,710	-
School Breakfast Program	2018	10.553	6,318	-
<i>Non-Cash Assistance Subtotal</i>			24,028	-
<i>Cash Assistance:</i>				
National School Lunch Program	2018	10.555	288,236	-
School Breakfast Program	2018	10.553	102,834	-
<i>Cash Assistance Subtotal</i>			391,070	-
<i>Total Child Nutrition Cluster</i>			415,098	-
National School Lunch Program - Equipment Grant	2018	10.579	19,329	-
Total U.S. Department of Agriculture			434,427	-
TOTAL FEDERAL ASSISTANCE			\$ 1,112,510	\$ -

See accompanying notes to this schedule.

Southern Local School District
Columbiana County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southern Local School District (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

Southern Local School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

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

Southern Local School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs (Continued)
2 CFR Section 200.515
June 30, 2018

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

Finding Number: 2018-001

Material Weakness – Approval of Invoices

Criteria: The purchasing policies and procedures of the School District include receipting and providing evidence the goods were received in acceptable condition or services were satisfactorily rendered and obtaining proper authorization of the invoice for payment.

Conditions Found: During review of non-payroll disbursements, we noted inconsistencies in the process for approval of invoices prior to payment.

Cause: There have been several changes to personnel in the Treasurer’s office over the past few years and management has been working to revise procedures to properly address control deficiencies and reporting issues. The Treasurer’s office has accepted various methods of invoice approval including sign off on invoice, email approval as well as verbal approval.

Effect: The inconsistencies in the approval of invoices prior to payment increases the risk of improperly paying an invoice for goods/services not received and the potential for the School District to make payment for goods or services without appropriate management approval.

Recommendations: We recommend the School District implement procedures to ensure all vendor invoices are formally approved by the receiving party prior to payment.

Management Response: See Corrective Action Plan.

Finding Number: 2018-002

Material Noncompliance – Posting of Appropriations and Estimated Resources to the Accounting System

Criteria: Ohio Administrative Code 117-2-02(C)(1) states “All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.”

As the original certificate and amendments establish the amounts available for expenditures in the School District and the receipt ledger provides the process by which the School District controls what is available, it is necessary that the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Southern Local School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs (Continued)
2 CFR Section 200.515
June 30, 2018

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number: 2018-002 (Continued)

Condition: The amounts of appropriations as approved by the Board of Education or the amounts of estimated resources as certified by the budget commission do not agree to the School District’s ledgers.

Fund	System Final Estimated Receipts	Audited Final Estimated Receipts	Difference	System Final Appropriations	Audited Final Appropriations	Difference
General	13,758,510	12,366,982	1,391,528	11,424,834	12,564,110	(1,139,276)
<i>Other Funds:</i>						
Bond Retirement	1,076,117	1,036,989	39,128	230,159	235,000	(4,841)
Permanent Improvement	876,294	945,136	(68,842)	680,692	685,000	(4,308)
Food Service	602,606	602,606	-	601,707	594,000	7,707
Self-Insurance	2,975,299	2,975,299	-	1,812,901	2,000,000	(187,099)
Title I	326,276	265,688	60,588	335,881	350,000	(14,119)

Cause: The School District did not accurately post the amounts of appropriations as approved by the Board of Education or the amounts of estimated resources as certified by the budget commission to the ledgers.

Effect: Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

Recommendation: To effectively control the budgetary cycle and to maintain accountability over School District expenditures and revenues, the School District should post to the ledgers, on a timely basis, appropriation amounts as passed by the Board of Education and estimated resources as certified by the budget commission. The Board of Education should also monitor budget versus actual reports to ensure supplemental and amended appropriations and amended certificates of resources have been properly posted.

School District’s Response: See Corrective Action Plan.

Finding Number: 2018-003

Significant Deficiency – Vacation Accrual and Usage

Criteria: Establishing effective internal controls over the payroll process, including leave accrual and usage, is the responsibility of management.

Conditions Found: It was noted that the District does not have internal controls in place to ensure all employee vacation balances are accurately reflected in the USPS system.

Southern Local School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs (Continued)
2 CFR Section 200.515
June 30, 2018

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number: 2018-003 (Continued)

Cause: The District does not have a consistent process for accruing vacation leave. It was also noted that the District does not have a formal policy regarding vacation leave for employees that are not members of a negotiated agreement. The District uses an employee kiosk system to administer sick and vacation leave, however it does not have a process to reconcile leave accrual and usage between kiosk and USPS.

Effect:. Without adequate internal controls over the accumulation and usage of leave balances, there is an increased risk that employee leave balances in USPS may not be accurate.

Recommendations: We recommend the District implement procedures to ensure all employee vacation leave accruals and usage are properly reflected in USPS. We also recommend that the Board approve a formal vacation leave policy that establishes when vacation will be accrued in the system, the maximum accumulation and whether or not unused leave can be paid out.

Management Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2018-004
CFDA Title and Number	Title I Cluster – CFDA #84.010 Special Education Cluster – CFDA #84.027
Federal Award Number / Year	2017
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Material Weakness – Reporting

Criteria: 2 CFR section 200.328. The non-Federal entity (pass-through agency) is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity.

The Ohio Department of Education (ODE) serves as the pass through agency for Title I and Special Education grants and has established specific reporting requirements referred to as the Final Expenditure Report (FER). The FER requires reporting of actual expenditures at the object level for each respective grant year. The FER is required to be submitted to ODE no later than September 30 for each respective grant year.

Southern Local School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs (Continued)
2 CFR Section 200.515
June 30, 2018

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number: 2018-004 (Continued)

Condition: In testing it was noted that the School District did not submit the 2017 grant year FER to ODE until October 4, 2017 and ODE did not approve the final FER until December 20, 2017.

Cause: The Superintendent was delayed in the final approval and submission of the FER.

Effect: Noncompliance with ODE required grant reporting procedures.

Recommendation: We recommend the School District implement procedures to ensure the FER is prepared and submitted to ODE in a timely manner.

School District’s Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2018-005
CFDA Title and Number	Special Education Cluster – CFDA #84.027
Federal Award Number / Year	2017
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness/Material Noncompliance – Maintenance of Effort

Criteria: Federal Regulations (34 CFR 300.203(b)) include the following requirement: "funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year."

Condition: During fiscal year 2018, it was determined by ODE that the School District failed the Maintenance of Effort for Title IV-B in fiscal year 2017.

Cause: This District changed service providers between years which resulted in cost savings. Those cost savings were not then used for other expenditures to maintain the same level of expenditures.

Effect: The School District was required to repay funds to the U.S. Department of Education as a result of the maintenance of effort failure.

Recommendation: We recommend the School District create procedures to track the level of expenditures on a more frequent basis to maintain compliance.

School District’s Response: See Corrective Action Plan.

Southern Local School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs (Continued)
2 CFR Section 200.515
June 30, 2018

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2018-006
CFDA Title and Number	Special Education Cluster – CFDA #84.027
Federal Award Number / Year	2018
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency – Allowable Costs

Criteria: Federal regulation (2 CFR 200.303(a)) requires that non-federal entities must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: In testing of special education payroll expenses it was noted that one employee’s contract was set up in USPS improperly. The error resulted in an underpayment of the employee’s contract. The District did not have internal controls in place to prevent or detect the issue.

Cause: The District improperly set up the employee’s contract to be paid out over 27 pays. There were only 26 pays over the term of the contract, resulting in an underpayment of salary to the employee.

Effect: There is an increased risk of improper payments if adequate internal controls are not put in place.

Recommendation: We recommend the District establish procedures over the payroll process to ensure that all contracts are entered accurately into USPS.

School District’s Response: See Corrective Action Plan.

Southern Local School District

38095 State Route 39
Salineville, Ohio 43945
Fax 330-679-0193
330-679-2305 School



BOARD OF EDUCATION

Mike Abraham
Jay Cole
Linda Morris
Robert Dowling
John Sawyer
Gregory Sabbato, *Treasurer*

Tom Cunningham, *Superintendent*
Southern Local Board of Education 330-679-2343
Tony Delboccio, *Principal*
Southern Local Jr./Sr.High School 330-679-2305
Rich Wright, *Associate Principal*
Southern Local Jr./Sr. High School 330-679-2305
Kristy Sampson, *Elementary Principal*
Southern Local Elementary School
38095 State Route 39 330-679-2305
Laura Krullk, *Special Ed. Coordinator*
38095 State Route 39 330-679-2305

Southern Local School District
Columbiana County, Ohio
Schedule of Prior Audit Findings
2 CFR Section 200.511(b)
June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Significant Deficiency – Internal Controls over Financial Reporting	Fully Corrected	Procedures were adopted to correct the issues identified in the prior year.
2017-002	Material Noncompliance – Posting of Appropriations and Estimated Resources to the Accounting System	Not Corrected	Issue was not corrected. There was confusion regarding prior year carryover encumbrances, unencumbered beginning balances, current year estimated resources and appropriations which led to variances between what was put into the system versus the official appropriations and estimated resources. Repeated as finding 2018-002.
2017-003	Noncompliance/Material Weakness – Reporting	Not Corrected	Issue was not corrected. The Superintendent was delayed in the submission of the FER to ODE. Repeated as finding 2018-004.
2017-004	Noncompliance/Significant Deficiency – Activities Allowed and Unallowed	Fully Corrected	Corrective action taken to fully correct issues in regards to correcting and adjusting journal entries.

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Rich Wright, Associate Principal
Southern Local Jr./Sr. High School 330-679-2305
Kristy Sampson, Elementary Principal
Southern Local Elementary School
38095 State Route 39 330-679-2305
Laura Krullik, Special Ed. Coordinator
38095 State Route 39 330-679-2305

Southern Local School District
Columbiana County, Ohio
Corrective Action Plan
2 CFR Section 200.511(c)
For the Fiscal Year Ended June 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Procedures will be implemented to ensure all vendor invoices are formally approved by the receiving party prior to payment. The receiving party will mark invoices as "okay to pay."	June 30, 2019	Greg Sabbato, Treasurer
2018-002	The office has undergone training for the appropriation system using our accounting system and will make all recommended corrective action for this fiscal year. This includes appropriations and resource reporting and updating and making adjustments in the system when appropriate.	June 30, 2019	Greg Sabbato, Treasurer
2018-003	Procedures will be implemented to ensure all employee vacation leave accruals and usage are properly reflected in USPS. The Board will approve a formal vacation leave policy that establishes when vacation will be accrued in the system, the maximum accumulation and whether or not unused leave can be paid out.	June 30, 2019	Greg Sabbato, Treasurer
2018-004	Procedures will be implemented to ensure the FER is prepared accurately and submitted to ODE in a timely manner.	June 30, 2019	Greg Sabbato, Treasurer

Southern Local School District
Columbiana County, Ohio
Corrective Action Plan (Continued)
2 CFR Section 200.511(c)
For the Fiscal Year Ended June 30, 2018

2018-005	Procedures will be implemented over grant funds to monitor budgets and expenditures to ensure compliance.	June 30, 2019	Greg Sabbato, Treasurer
2018-006	Procedures will be implemented over the payroll process to ensure all contracts are entered accurately into USPS.	June 30, 2019	Greg Sabbato, Treasurer

OHIO AUDITOR OF STATE
KEITH FABER



SOUTHERN LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2019**