



Dave Yost • Auditor of State

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2017**

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**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2017

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of Southington Local School District's (the School District) financial performance is presented by the School District's management and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 include:

- The School District is committed to meeting the academic needs of our students by providing them with updated equipment and facilities to compete in a global environment.
- The School District's enrollment decreased from 535 students in fiscal year 2016 to 521 students in fiscal year 2017. Certified staff increased from 40 in fiscal year 2016 to 44 in fiscal year 2017.
- The School District had additions to capital assets consisting of an approximately 2,000 square foot addition on the southeast corner of the School District's existing school building and various equipment purchases in fiscal year 2017.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for fiscal year 2017 compared to fiscal year 2016:

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

(Table 1)
Net Position - Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	\$6,525,646	\$6,156,253	\$369,393
Capital Assets, Net	18,172,085	18,741,738	(569,653)
<i>Total Assets</i>	<u>24,697,731</u>	<u>24,897,991</u>	<u>(200,260)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	678,103	714,751	(36,648)
Pension	1,434,242	657,230	777,012
<i>Total Deferred Outflows of Resources</i>	<u>2,112,345</u>	<u>1,371,981</u>	<u>740,364</u>
Liabilities			
Current and Other Liabilities	635,442	594,109	(41,333)
Long Term Liabilities:			
Due Within One Year	352,761	366,573	13,812
Due in More than One Year			
Net Pension Liability	7,772,547	6,813,062	(959,485)
Other Amounts	7,051,009	7,294,904	243,895
<i>Total Liabilities</i>	<u>15,811,759</u>	<u>15,068,648</u>	<u>(743,111)</u>
Deferred Inflows of Resources			
Property Taxes	1,902,204	1,884,733	(17,471)
Pension	410,614	482,698	72,084
<i>Total Deferred Inflows of Resources</i>	<u>2,312,818</u>	<u>2,367,431</u>	<u>54,613</u>
Net Position			
Investment in Capital Assets	11,782,913	12,040,846	(257,933)
Restricted:			
Capital Projects	448,466	739,998	(291,532)
Debt Service	592,191	590,393	1,798
Unclaimed Monies	423	385	38
Other Purposes	597,436	652,830	(55,394)
Unrestricted (Deficit)	(4,735,930)	(5,190,559)	454,629
<i>Total Net Position</i>	<u><u>\$8,685,499</u></u>	<u><u>\$8,833,893</u></u>	<u><u>(\$148,394)</u></u>

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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The net pension liability (NPL) reported by the School District at June 30, 2017 is pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

The School District had a decrease in total assets due to a decrease in capital assets. The decrease in capital assets is from current year depreciation outpacing total additions in this fiscal year. Total liabilities increased due to the change in net pension liability. Deferred inflows of resources decreased due to the change in the net pension liability.

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2017 and 2016.

(Table 2)
Change in Net Position - Governmental Activities

	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$806,047	\$756,723	\$49,324
Operating Grants, Contributions and Interest	695,836	677,432	18,404
<i>Total Program Revenues</i>	<u>1,501,883</u>	<u>1,434,155</u>	<u>67,728</u>
General Revenues			
Property Taxes	1,929,033	1,903,177	25,856
Grants and Entitlements not Restricted to Specific Programs	3,922,632	3,585,176	337,456
Investment Earnings	6,032	5,065	967
Unrestricted Contributions	2,637	258	2,379
Gain on Disposal of Capital Assets	0	1,600	(1,600)
Miscellaneous	42,161	100,799	(58,638)
<i>Total General Revenues</i>	<u>5,902,495</u>	<u>5,596,075</u>	<u>306,420</u>
<i>Total Revenues</i>	<u>\$7,404,378</u>	<u>\$7,030,230</u>	<u>\$374,148</u>

continued

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

(Table 2)
Change in Net Position - Governmental Activities (continued)

	2017	2016	Change
Program Expenses			
Instruction:			
Regular	\$3,987,430	\$3,787,199	(\$200,231)
Special	484,711	436,378	(48,333)
Vocational	53,601	12,116	(41,485)
Support Services:			
Pupil	241,118	249,930	8,812
Instructional Staff	75,853	108,881	33,028
Board of Education	52,287	42,519	(9,768)
Administration	553,485	516,204	(37,281)
Fiscal	284,281	262,332	(21,949)
Business	22,151	23,821	1,670
Operation and Maintenance of Plant	717,479	694,910	(22,569)
Pupil Transportation	249,433	288,054	38,621
Central	18,017	14,823	(3,194)
Food Service Operations	262,391	212,738	(49,653)
Extracurricular Activities	311,748	275,135	(36,613)
Interest and Fiscal Charges	238,787	63,216	(175,571)
<i>Total Expenses</i>	<u>7,552,772</u>	<u>6,988,256</u>	<u>(564,516)</u>
Change in Net Position	(148,394)	41,974	(190,368)
<i>Net Position Beginning of Year</i>	<u>8,833,893</u>	<u>8,791,919</u>	<u>41,974</u>
<i>Net Position End of Year</i>	<u><u>\$8,685,499</u></u>	<u><u>\$8,833,893</u></u>	<u><u>(\$148,394)</u></u>

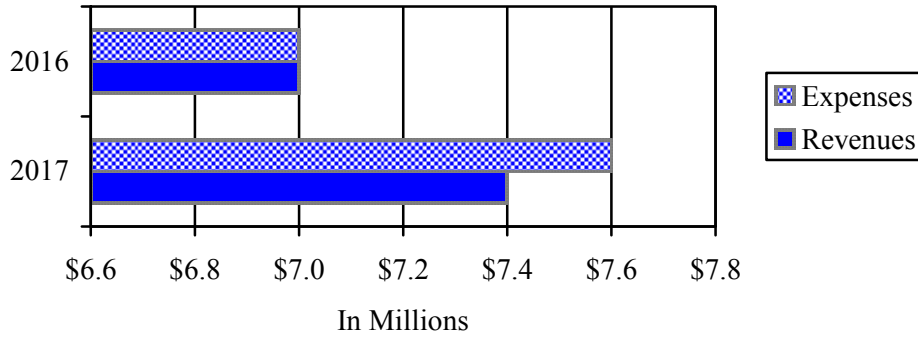
Graph 1

Revenues and Expenses
(In Millions)

	2017	2016
Revenues	\$7.4	\$7.0
Expenses	7.6	7.0

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Governmental Activities



Governmental Activities

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Even with the current economic conditions the School District has been able to maintain their property tax revenue.

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

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.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$4,525,742	\$3,356,043	\$4,235,693	\$3,148,097
Support Services:				
Pupil and Instructional Staff	316,971	311,571	358,811	353,411
Board of Education, Administration, Fiscal Services, Business and Central	930,221	923,388	859,699	848,847
Operation and Maintenance of Plant	717,479	689,614	694,910	666,944
Pupil Transportation	249,433	249,433	288,054	288,054
Food Service Operations	262,391	38,228	212,738	(10,197)
Extracurricular Activities	311,748	243,825	275,135	195,729
Interest and Fiscal Charges	238,787	238,787	63,216	63,216
<i>Total Expenses</i>	<u>\$7,552,772</u>	<u>\$6,050,889</u>	<u>\$6,988,256</u>	<u>\$5,554,101</u>

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2017. The community, as a whole, is by far the primary support for Southington Local School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,352,940 and expenditures of \$7,094,508. The general fund had an increase in fund balance which can be attributed to revenues outpacing expenditures. The bond retirement fund had a slight decrease in fund balance due to the School District using available cash. The permanent improvement fund had a decrease in fund balance which can be attributed to a lack of funding from the general fund.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

Actual revenues were slightly higher than the final certificate as the School District received more intergovernmental revenues than what was anticipated. Final budgeted revenues were greater than original budgeted revenues due to an increase in all anticipated revenues. Actual expenditures were lower than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2017 balances compared to fiscal year 2016.

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

	Governmental Activities		
	2017	2016	Change
Land	\$224,230	\$224,230	\$0
Land and Improvements	2,218,257	2,368,441	(150,184)
Buildings and Improvements	13,857,702	14,108,969	(251,267)
Furniture and Equipment	1,674,994	1,792,826	(117,832)
Vehicles	196,902	247,272	(50,370)
Totals	\$18,172,085	\$18,741,738	(\$569,653)

All capital assets, except land, are reported net of depreciation. The net decrease in capital assets during the fiscal year resulted from annual depreciation, offset by additions of assets which included a 2,000 square foot addition on the southeast corner of the School District's existing school building as well as various equipment purchases. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2017, this amounted to \$93,380. See Note 10 to the basic financial statements for additional information on the School District's capital assets and Note 18 for additional information regarding required set-asides.

Debt

At June 30, 2017, the School District had general obligation bonds outstanding in the amount of \$7,158,815. These bonds were issued for the School District's portion of the Ohio School Facilities Commission project. During fiscal year 2016, the School District refunded a portion of the 2008 classroom facilities improvement bonds to take advantage of lower interest rates. These bonds will be fully repaid in fiscal year 2036. Please see Note 11 of the notes to the basic financial statements for more information about the School District's long-term obligations.

Challenges and Opportunities for the Future

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

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

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Contacting the School District's Financial Management

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

Southington Local School District

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,161,630
Accounts Receivable	11,739
Accrued Interest Receivable	300
Intergovernmental Receivable	174,430
Property Taxes Receivable	2,177,547
Nondepreciable Capital Assets	224,230
Depreciable Capital Assets, Net	<u>17,947,855</u>
<i>Total Assets</i>	<u>24,697,731</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	678,103
Pension	<u>1,434,242</u>
<i>Total Deferred Outflows of Resources</i>	<u>2,112,345</u>
Liabilities	
Accounts Payable	54,380
Contracts Payable	3,250
Accrued Wages and Benefits	377,261
Intergovernmental Payable	143,497
Matured Compensated Absences Payable	17,502
Accrued Interest Payable	39,552
Long-Term Liabilities:	
Due Within One Year	352,761
Due In More Than One Year	
Net Pension Liability (See Note 12)	7,772,547
Other Amounts	<u>7,051,009</u>
<i>Total Liabilities</i>	<u>15,811,759</u>
Deferred Inflows of Resources	
Property Taxes	1,902,204
Pension	<u>410,614</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,312,818</u>
Net Position	
Net Investment in Capital Assets	11,782,913
Restricted for:	
Capital Projects	448,466
Debt Service	592,191
Unclaimed Monies	423
Other Purposes	597,436
Unrestricted (Deficit)	<u>(4,735,930)</u>
<i>Total Net Position</i>	<u>\$8,685,499</u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues		Net (Expense)
	Expenses	Charges for Services and Sales	Revenue and Changes in Net Position
		Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities			
Instruction:			
Regular	\$3,987,430	\$580,642	\$200,754
Special	484,711	73,444	301,075
Vocational	53,601	10,138	3,646
Support Services:			
Pupil	241,118	0	0
Instructional Staff	75,853	0	5,400
Board of Education	52,287	0	0
Administration	553,485	0	0
Fiscal	284,281	0	6,833
Business	22,151	0	0
Operation and Maintenance of Plant	717,479	0	27,865
Pupil Transportation	249,433	0	0
Central	18,017	0	0
Food Service Operations	262,391	73,900	150,263
Extracurricular Activities	311,748	67,923	0
Interest and Fiscal Charges	238,787	0	0
<i>Totals</i>	<u>\$7,552,772</u>	<u>\$806,047</u>	<u>\$695,836</u>
General Revenues			
Property Taxes Levied for:			
General Purposes			1,407,646
Debt Service			437,423
Classroom Facilities Maintenance			83,964
Grants and Entitlements not Restricted to Specific Programs			3,922,632
Investment Earnings			6,032
Unrestricted Contributions			2,637
Miscellaneous			42,161
<i>Total General Revenues</i>			<u>5,902,495</u>
Change in Net Position			(148,394)
<i>Net Position Beginning of Year</i>			<u>8,833,893</u>
<i>Net Position End of Year</i>			<u>\$8,685,499</u>

See accompanying notes to the basic financial statements

Southington Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,516,813	\$588,076	\$382,270	\$674,048	\$4,161,207
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	423	0	0	0	423
Accounts Receivable	6,070	0	0	5,669	11,739
Accrued Interest Receivable	0	300	0	0	300
Intergovernmental Receivable	79,720	0	0	94,710	174,430
Interfund Receivable	39,096	0	0	0	39,096
Property Taxes Receivable	1,588,761	494,218	0	94,568	2,177,547
<i>Total Assets</i>	<u>\$4,230,883</u>	<u>\$1,082,594</u>	<u>\$382,270</u>	<u>\$868,995</u>	<u>\$6,564,742</u>
Liabilities					
Accounts Payable	\$48,254	\$0	\$0	\$6,126	\$54,380
Contracts Payable	0	3,250	0	0	3,250
Accrued Wages and Benefits	332,082	0	0	45,179	377,261
Interfund Payable	0	0	0	39,096	39,096
Matured Compensated Absences Payable	17,502	0	0	0	17,502
Intergovernmental Payable	128,099	0	0	15,398	143,497
<i>Total Liabilities</i>	<u>525,937</u>	<u>3,250</u>	<u>0</u>	<u>105,799</u>	<u>634,986</u>
Deferred Inflows of Resources					
Property Taxes	1,385,965	433,310	0	82,929	1,902,204
Unavailable Revenue	221,004	57,542	0	86,166	364,712
<i>Total Deferred Inflows of Resources</i>	<u>1,606,969</u>	<u>490,852</u>	<u>0</u>	<u>169,095</u>	<u>2,266,916</u>
Fund Balances					
Nonspendable	423	0	0	0	423
Restricted	0	588,492	382,270	621,434	1,592,196
Committed	27,665	0	0	0	27,665
Assigned	603,953	0	0	0	603,953
Unassigned (Deficit)	1,465,936	0	0	(27,333)	1,438,603
<i>Total Fund Balances</i>	<u>2,097,977</u>	<u>588,492</u>	<u>382,270</u>	<u>594,101</u>	<u>3,662,840</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,230,883</u>	<u>\$1,082,594</u>	<u>\$382,270</u>	<u>\$868,995</u>	<u>\$6,564,742</u>

See accompanying notes to the basic financial statements

Southington Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances	\$3,662,840
 <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.	18,172,085
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:	
Delinquent Property Taxes	260,126
Grants	91,774
Tuition and Fees	7,143
Extracurricular	5,669
Total	364,712
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(39,552)
The net pension liability is not due and payable in the current period; therefore, the liability and related inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	1,434,242
Deferred Inflows - Pension	(410,614)
Net Pension Liability	(7,772,547)
Total	(6,748,919)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(6,342,249)
Bond Premium	(816,566)
Deferred Charge on Refunding	678,103
Compensated Absences	(222,155)
Special Termination Benefits	(22,800)
Total	(6,725,667)
<i>Net Position of Governmental Activities</i>	\$8,685,499

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,395,782	\$436,878	\$0	\$83,498	\$1,916,158
Intergovernmental	4,027,007	77,360	0	474,780	4,579,147
Interest	5,978	3	0	1,888	7,869
Tuition and Fees	551,858	0	0	0	551,858
Extracurricular Activities	6,563	0	0	55,691	62,254
Contributions and Donations	2,637	0	0	8,200	10,837
Charges for Services	108,756	0	0	73,900	182,656
Miscellaneous	41,985	0	0	176	42,161
<i>Total Revenues</i>	<u>6,140,566</u>	<u>514,241</u>	<u>0</u>	<u>698,133</u>	<u>7,352,940</u>
Expenditures					
Current:					
Instruction:					
Regular	2,944,293	0	0	184,863	3,129,156
Special	380,179	0	0	99,857	480,036
Vocational	45,462	0	0	0	45,462
Support Services:					
Pupil	239,919	0	0	0	239,919
Instructional Staff	53,478	0	0	9,003	62,481
Board of Education	48,419	3,250	0	0	51,669
Administration	532,089	0	0	8,989	541,078
Fiscal	244,063	9,599	0	8,124	261,786
Business	22,272	0	0	0	22,272
Operation and Maintenance of Plant	563,834	0	0	131,464	695,298
Pupil Transportation	194,179	0	0	0	194,179
Central	17,011	0	0	0	17,011
Food Services Operations	0	0	0	249,730	249,730
Extracurricular Activities	134,760	0	0	170,085	304,845
Capital Outlay	0	0	285,040	6,543	291,583
Debt Service:					
Principal Retirement	0	305,000	0	0	305,000
Interest and Fiscal Charges	0	203,003	0	0	203,003
<i>Total Expenditures</i>	<u>5,419,958</u>	<u>520,852</u>	<u>285,040</u>	<u>868,658</u>	<u>7,094,508</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>720,608</u>	<u>(6,611)</u>	<u>(285,040)</u>	<u>(170,525)</u>	<u>258,432</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	107,973	107,973
Transfers Out	(107,973)	0	0	0	(107,973)
<i>Total Other Financing Sources (Uses)</i>	<u>(107,973)</u>	<u>0</u>	<u>0</u>	<u>107,973</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	612,635	(6,611)	(285,040)	(62,552)	258,432
<i>Fund Balances Beginning of Year</i>	<u>1,485,342</u>	<u>595,103</u>	<u>667,310</u>	<u>656,653</u>	<u>3,404,408</u>
<i>Fund Balances End of Year</i>	<u>\$2,097,977</u>	<u>\$588,492</u>	<u>\$382,270</u>	<u>\$594,101</u>	<u>\$3,662,840</u>

See accompanying notes to the basic financial statements

Southington Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds \$258,432

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay Additions	326,694	
Current Year Depreciation	<u>(896,347)</u>	
Total		(569,653)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	12,875	
Grants	29,284	
Tuition and Fees	3,610	
Extracurricular	<u>5,669</u>	
Total		51,438

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 305,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds:

Accrued Interest on Bonds	719	
Amortization of Accretion	(50,368)	
Amortization of Bond Premium	50,513	
Amortization of Deferred Charge on Refunding	<u>(36,648)</u>	
Total		(35,784)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 403,953

Except for the amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (514,342)

Some expenses reported in the statement of activities, compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(24,638)	
Special Termination Benefits	<u>(22,800)</u>	
Total		<u>(47,438)</u>

Change in Net Position of Governmental Activities (\$148,394)

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,366,141	\$1,395,146	\$1,395,146	\$0
Intergovernmental	3,937,191	4,023,435	4,034,141	10,706
Interest	4,835	5,518	5,978	460
Tuition and Fees	501,160	509,529	509,649	120
Contributions and Donations	258	2,637	2,637	0
Charges for Services	82,984	108,756	108,756	0
Miscellaneous	19,398	30,739	31,345	606
<i>Total Revenues</i>	<u>5,911,967</u>	<u>6,075,760</u>	<u>6,087,652</u>	<u>11,892</u>
Expenditures				
Current:				
Instruction:				
Regular	3,238,687	2,924,339	2,923,633	706
Special	384,840	375,104	375,104	0
Vocational	48,543	40,295	40,295	0
Support Services:				
Pupil	258,386	253,263	241,549	11,714
Instructional Staff	82,098	88,848	58,076	30,772
Board of Education	82,510	84,410	56,953	27,457
Administration	561,007	551,642	551,642	0
Fiscal	253,717	248,820	245,516	3,304
Business	28,104	28,104	26,738	1,366
Operation and Maintenance of Plant	631,882	607,185	607,185	0
Pupil Transportation	299,152	246,994	209,713	37,281
Central	15,060	18,060	16,875	1,185
Extracurricular Activities	91,378	120,008	120,008	0
<i>Total Expenditures</i>	<u>5,975,364</u>	<u>5,587,072</u>	<u>5,473,287</u>	<u>113,785</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(63,397)</u>	<u>488,688</u>	<u>614,365</u>	<u>125,677</u>
Other Financing Sources (Uses)				
Advances In	0	199,635	199,635	0
Advances Out	0	(135,624)	(208,288)	(72,664)
Transfers Out	0	(140,300)	(139,833)	467
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(76,289)</u>	<u>(148,486)</u>	<u>(72,197)</u>
<i>Net Change in Fund Balance</i>	<u>(63,397)</u>	<u>412,399</u>	<u>465,879</u>	<u>53,480</u>
<i>Fund Balance Beginning of Year</i>	<u>1,702,740</u>	<u>1,702,740</u>	<u>1,702,740</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>187,788</u>	<u>187,788</u>	<u>187,788</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,827,131</u></u>	<u><u>\$2,302,927</u></u>	<u><u>\$2,356,407</u></u>	<u><u>\$53,480</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$33,974</u>
Liabilities	
Due to Students	\$11,402
Deposits Held and Due to Others	<u>22,572</u>
<i>Total Liabilities</i>	<u>\$33,974</u>

See accompanying notes to the basic financial statements

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's one instructional/support facility staffed by 24 classified employees, 44 certified employees and 3 administrative employees who provide services to 521 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

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

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

Note 2 - Summary of Significant Accounting Policies

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Basis of Presentation

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

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

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for and reports restricted revenues used for the acquisition or construction of major capital facilities.

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

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

Measurement Focus

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

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

Basis of Accounting

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 12.

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, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. 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 Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

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

Cash and Cash Equivalents

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

During fiscal year 2017, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$5,978, which includes \$1,218 assigned from other School District funds.

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

Restricted Assets

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

Interfund Balances

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

Capital Assets

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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.

Pensions

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Internal Activity

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

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

Net Position

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

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

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for instruction and extracurricular activities and to cover a gap between estimated revenue and appropriations in the fiscal year 2018 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.

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

Bond Premiums

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

Estimates

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

Budgetary Data

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3 – Fund Balances

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

Fund Balances	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Unclaimed Monies	\$423	\$0	\$0	\$0	\$423
<i>Restricted for</i>					
Food Service Operations	0	0	0	143,553	143,553
Scholarships and Awards	0	0	0	40,259	40,259
Athletics	0	0	0	36,174	36,174
Classroom Facilities Maintenance	0	0	0	335,252	335,252
Debt Service Payments	0	588,492	0	0	588,492
Capital Improvements	0	0	382,270	66,196	448,466
<i>Total Restricted</i>	0	588,492	382,270	621,434	1,592,196
<i>Committed to</i>					
Severance	3,420	0	0	0	3,420
Educational Services	5,000	0	0	0	5,000
Future Severance Payments	19,245	0	0	0	19,245
<i>Total Committed</i>	27,665	0	0	0	27,665
<i>Assigned to</i>					
Instruction and Extracurricular	35,485	0	0	0	35,485
Fiscal Year 2018 Operations	500,618	0	0	0	500,618
Purchases on Order:					
Instruction	22,235	0	0	0	22,235
Support Services	45,615	0	0	0	45,615
<i>Total Assigned</i>	603,953	0	0	0	603,953
<i>Unassigned (Deficit)</i>	1,465,936	0	0	(27,333)	1,438,603
<i>Total Fund Balances</i>	\$2,097,977	\$588,492	\$382,270	\$594,101	\$3,662,840

Note 4 – Accountability

At June 30, 2017, the title VI-B, title I, title II-A, advanced career informatics and the miscellaneous federal grants special revenue funds had deficit fund balances of \$7,285, \$7,912, \$1,477, \$7,254 and \$3,405, respectively.

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transaction (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the uniform school supply fund and public school support fund are classified to the general fund for GAAP reporting.

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

	General
GAAP Basis	\$612,635
Net Adjustment for Revenue Accruals	11,244
Advances In	199,635
Net Adjustment for Expenditure Accruals	(516)
Advances Out	(208,288)
Perspective Difference:	
Uniform School Supply	(21,197)
Public School Support	(3,110)
Encumbrances	(124,524)
Budget Basis	\$465,879

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,590,159 of the School District's bank balance of \$4,206,755 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred five percent.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2017, was \$11,208 in the general fund, \$643 in the classroom facilities special revenue fund and \$3,366 in the bond retirement debt service fund. The amount available as an advance at June 30, 2016, was \$10,572 in the general fund, \$619 in the classroom facilities special revenue fund and \$3,353 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,429,410	96.60 %	\$63,502,640	96.37 %
Public Utility Personal	2,232,260	3.40	2,395,170	3.63
Total	<u>\$65,661,670</u>	<u>100.00 %</u>	<u>\$65,897,810</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation	\$50.55		\$50.50	

Note 8 - Receivables

Receivables at June 30, 2017, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds. All receivables, except delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Miscellaneous Federal Grants	\$41,144
Regular and Special Tuition	30,737
Title I Grant	24,577
Medicaid	22,273
Foundation Adjustment	19,876
Title VI-B Grant	18,471
Advanced Career Informatics	7,254
Bureau of Workers Compensation	5,669
Title II-A Grant	3,264
Wellness Grant	1,165
Total	<u>\$174,430</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017, Foundation funding for the School District; therefore, any financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District

Litigation

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

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable Capital Assets				
Land	\$224,230	\$0	\$0	\$224,230
Depreciable Capital Assets				
Land and Improvements	3,042,323	0	0	3,042,323
Buildings and Improvements	16,692,336	285,040	0	16,977,376
Furniture, Fixtures and Equipment	2,667,382	41,654	0	2,709,036
Vehicles	604,395	0	0	604,395
<i>Total Depreciable Capital Assets</i>	<u>23,006,436</u>	<u>326,694</u>	<u>0</u>	<u>23,333,130</u>
Less: Accumulated Depreciation				
Land and Improvements	(673,882)	(150,184)	0	(824,066)
Buildings and Improvements	(2,583,367)	(536,307)	0	(3,119,674)
Furniture, Fixtures and Equipment	(874,556)	(159,486)	0	(1,034,042)
Vehicles	(357,123)	(50,370)	0	(407,493)
<i>Total Accumulated Depreciation</i>	<u>(4,488,928)</u>	<u>(896,347) *</u>	<u>0</u>	<u>(5,385,275)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>18,517,508</u>	<u>(569,653)</u>	<u>0</u>	<u>17,947,855</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$18,741,738</u>	<u>(\$569,653)</u>	<u>\$0</u>	<u>\$18,172,085</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

* Depreciation expense was charged to governmental activities as follows:

Instruction		
Regular	\$805,926	
Special	1,500	
Support Services		
Instructional Staff	13,283	
Administration	901	
Operation and Maintenance of Plant	8,161	
Pupil Transportation	50,512	
Food Service Operations	7,532	
Extracurricular Activities	8,532	
Total Depreciation Expense	\$896,347	

Note 11 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Fiscal Year of Maturity
2008 Classroom Facilities Bonds:			
Serial Bonds	3.00 - 4.00%	\$3,110,000	2018
2015 Classroom Facilities Refunding Bonds:			
Serial Bonds	1.00 - 4.00	5,880,000	2036
Capital Appreciation Bonds	Various	85,000	2024

The changes in the School District’s long-term obligations during fiscal year 2017 were as follows:

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2008 Classroom Facilities Bonds					
Serial Bonds	\$700,000	\$0	\$225,000	\$475,000	\$235,000
Unamortized Premium	21,436	0	7,145	14,291	0
Total 2008 Classroom Facilities Bonds	721,436	0	232,145	489,291	235,000
2015 Classroom Facilities Refunding Bonds					
Serial Bonds	5,785,000	0	80,000	5,705,000	85,000
Capital Appreciation Bonds	85,000	0	0	85,000	0
Accretion	26,881	50,368	0	77,249	0
Premium on Bonds	845,643	0	43,368	802,275	0
Total 2015 Classroom Facilities Bonds	6,742,524	50,368	123,368	6,669,524	85,000
Total General Obligation Bonds	7,463,960	50,368	355,513	7,158,815	320,000
<i>Other Long-Term Obligations:</i>					
Net Pension Liability:					
STRS	5,620,321	645,513	0	6,265,834	0
SERS	1,192,741	313,972	0	1,506,713	0
Total Net Pension Liability	6,813,062	959,485	0	7,772,547	0
Compensated Absences	197,517	86,211	61,573	222,155	28,201
Special Termination Benefits	0	22,800	0	22,800	4,560
Total Other Long-Term Obligations	7,010,579	1,068,496	61,573	8,017,502	32,761
Total Long-Term Liabilities	\$14,474,539	\$1,118,864	\$417,086	\$15,176,317	\$352,761

Compensated absences will be paid from the general fund and the food service, Ohio schools facility maintenance and the title I special revenue funds. The special termination benefits will be paid from the general fund. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: general fund and the food service, Ohio schools facility maintenance and the title I special revenue funds. For additional information related to the net pension liability see Note 12.

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

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

The capital appreciation bonds were originally sold at a discount of \$860,000. The accretion recorded for fiscal year 2017 was \$50,368, for a total outstanding bond liability of \$162,249 at June 30, 2017.

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

The School District’s overall debt margin was zero with an unvoted debt margin of \$65,898 at June 30, 2017. The School District has been designated as an “approved special needs school district” by the Ohio Superintendent of Public Instruction. As a result, any portion of the otherwise non-exempt debt authorized by the School District’s voters in excess of the 9 percent limitation is exempted from the limitation pursuant to Revised Code Section 133.06(D)(2). Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017 are as follows:

	Serial Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Accretion
2018	\$320,000	\$469,950	\$0	\$0
2019	325,000	460,531	15,000	65,000
2020	255,000	177,650	10,000	65,000
2021	255,000	172,550	25,000	240,000
2022	80,000	169,200	20,000	245,000
2023-2027	1,250,000	777,550	15,000	245,000
2028-2032	2,025,000	490,613	0	0
2033-2036	1,670,000	132,737	0	0
Total	<u>\$6,180,000</u>	<u>\$2,850,781</u>	<u>\$85,000</u>	<u>\$860,000</u>

Note 12 - 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.

Southington Local School District
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For the Fiscal Year Ended June 30, 2017

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.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$94,958 for fiscal year 2017. Of this amount \$13,775 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. 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.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$308,995 for fiscal year 2017. Of this amount \$47,691 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.020903%	0.02033617%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.020586%</u>	<u>0.01871906%</u>	
Change in Proportionate Share	<u>-0.000317%</u>	<u>-0.00161711%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,506,713	\$6,265,834	\$7,772,547
Pension Expense	\$139,302	\$375,040	\$514,342

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$20,322	\$253,170	\$273,492
Changes of assumptions	100,581	0	100,581
Net difference between projected and actual earnings on pension plan investments	124,282	520,233	644,515
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	11,701	11,701
School District contributions subsequent to the measurement date	94,958	308,995	403,953
Total Deferred Outflows of Resources	\$340,143	\$1,094,099	\$1,434,242
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	\$39,983	\$370,631	\$410,614

\$403,953 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$43,955	\$33,696	\$77,651
2019	43,867	33,695	77,562
2020	81,655	233,322	314,977
2021	35,725	113,760	149,485
Total	\$205,202	\$414,473	\$619,675

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to

Southington Local School District
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that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

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

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

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Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$1,994,794	\$1,506,713	\$1,098,168

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

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

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

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$8,326,784	\$6,265,834	\$4,527,301

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Southington Local School District
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Note 13 - Postemployment Benefits

School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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 2017, no allocation 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 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$10,868.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$10,868, \$15,326, and \$16,055, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System

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

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio 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 Ohio. 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. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 14 - Other Employee Benefits

Compensated Absences

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

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

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

Life Insurance Benefits

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

Health Insurance Benefits

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

Retirement Incentive

The School District's Board of Education offered employees participation in a Retirement Incentive program in fiscal year 2017. Participation was open to teachers who were eligible for service retirement under the State Teachers Retirement System (STRS) pursuant to O.R.C. 3307.38 and any applicable STRS regulations along with being at least 60 years of age by October 1, 2017. The Board of Education will pay an annual supplement to the retiree for single group rate coverage provided through STRS to be applied to the retiree's premium share until their 65th birthday. In fiscal year 2017, one employee took the retirement incentive equating to \$22,800. The retirement incentive will be paid out over a five year period.

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Note 15 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Schools of Ohio Risk Sharing Authority (Note 17).

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

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

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

Worker's Compensation

For fiscal year 2017, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP. The Board exercises total control over the operations of the GRP including budgeting, appropriating, contracting and designating management.

Note 16 - Jointly Governed Organizations

North East Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Southington Local School District paid \$17,598 to NEOMIN during fiscal year 2017.

The Governing Board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Southington Local School District was not represented on the Governing Board during fiscal year 2017. The degree of control exercised by any participating school district is limited to its representation on the Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446-4603.

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For the Fiscal Year Ended June 30, 2017

Trumbull Career and Technical Center (Center) The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the Center during fiscal year 2017. To obtain financial information write to the Trumbull Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

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

The State Support Team Region 5 is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the State Support Team Region 5 during fiscal year 2017. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

Note 17 – Public Entity Risk Sharing Pools

Insurance Purchasing Pool

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

Risk Sharing Pool

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

Note 18 - Set Aside Calculation

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	93,380
OSFC Debt Service Payments	(508,003)
Qualifying Disbursements	(32,215)
Total	(\$446,838)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2017	\$0

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

Note 19 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$107,973 to the athletics and music special revenue fund to help provide funding for fiscal year 2017.

Interfund Balances

Interfund balances at June 30, 2017, consist of the following individual fund receivables and payables:

	Interfund Receivable
Interfund Payable	General Fund
Other Governmental Funds	
Athletics and Music	\$300
Title VI-B	8,562
Advanced Career Informatics	7,254
Title I	20,916
Title II-A	1,635
Miscellaneous Federal Grants	429
<i>Total</i>	\$39,096

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Note 20 – Significant Commitments

Encumbrances

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

<i>Major Funds:</i>	
General	\$124,524
Bond Retirement	3,200
<i>Other Governmental Funds</i>	<u>29,041</u>
<i>Total</i>	<u><u>\$156,765</u></u>

Note 21 – Change in Accounting Principle

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, the School District had no abatement that met the GASB 77 definition.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 22 – Subsequent Event

The Southington Local School District is placing a 1 mill, 5-year permanent improvement levy on the November 7, 2017 ballot for consideration. The levy is expected to generate approximately \$65,000 per year. The levy proceeds would be used for improvements and renovations to the School District owned Chalker Building and the surrounding property.

Required Supplementary Information

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.020586%	0.020903%	0.021787%	0.021787%
School District's Proportionate Share of the Net Pension Liability	\$1,506,713	\$1,192,741	\$1,102,628	\$1,295,603
School District's Covered Payroll	\$641,543	\$632,253	\$626,206	\$616,023
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	234.86%	188.65%	176.08%	210.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

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

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.01871906%	0.02033617%	0.02024431%	0.02024431%
School District's Proportionate Share of the Net Pension Liability	\$6,265,834	\$5,620,321	\$4,924,117	\$5,865,576
School District's Covered Payroll	\$1,974,221	\$2,103,243	\$2,086,186	\$2,119,477
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	317.38%	267.22%	236.03%	276.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$94,958	\$89,816	\$83,331	\$86,792
Contributions in Relation to the Contractually Required Contribution	<u>(94,958)</u>	<u>(89,816)</u>	<u>(83,331)</u>	<u>(86,792)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$678,271	\$641,543	\$632,253	\$626,206
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$85,258	\$83,825	\$75,174	\$82,063	\$62,861	\$64,356
<u>(85,258)</u>	<u>(83,825)</u>	<u>(75,174)</u>	<u>(82,063)</u>	<u>(62,861)</u>	<u>(64,356)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$616,023	\$623,236	\$598,044	\$606,080	\$638,834	\$655,360
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$308,995	\$276,391	\$294,454	\$271,204
Contributions in Relation to the Contractually Required Contribution	<u>(308,995)</u>	<u>(276,391)</u>	<u>(294,454)</u>	<u>(271,204)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,207,107	\$1,974,221	\$2,103,243	\$2,086,186
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$275,532	\$276,741	\$278,133	\$295,614	\$297,114	\$304,032
<u>(275,532)</u>	<u>(276,741)</u>	<u>(278,133)</u>	<u>(295,614)</u>	<u>(297,114)</u>	<u>(304,032)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,119,477	\$2,128,777	\$2,139,485	\$2,273,954	\$2,285,492	\$2,338,708
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Southington Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

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

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

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southington Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Compliance and Other Matters

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

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2017

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2017**

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

FINDING NUMBER 2017-001

Significant Deficiency

Ohio Administrative Code Section 117-2-01 provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting.

Original appropriations as approved by the Board of Education on June 28, 2016 did not agree to amounts posted to the District's accounting system for the five funds selected for review as of July 31, 2016. The Board approved appropriations were not updated in the accounting system until September 2016. The following differences were noted until the accounting system was updated in September 2016:

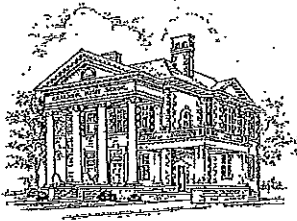
Fund Number	Fund Name	Per Appropriations	Per USAS System
001	General Fund	2,896,795	144,132
002	Bond Retirement	268,548	725
003	Permanent Improvement	104,984	172,629
006	Lunchroom	131,324	1,324
572	Title 1	147,122	22,024

The failure to properly record budgetary information to the accounting system could result in poor management decision making since the information upon which decisions are made is not accurate or up to date.

To enhance internal accounting control, the District should record budgetary information at amounts approved by the Budget Commission and the Board of Education and implement procedures to help ensure that all budgetary amendments are posted in an accurate and timely manner.

Officials' Response: The District will continue to try and comply with the OAC and recommendations.

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Southington Local School District

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SOUTHINGTON, OHIO 44470

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SOUTHINGTON LOCAL SCHOOL DISTRICT TRUMBULL COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Administrative Code Section 117-2-01, Appropriations not accurately entered into accounting system.	Not Corrected	Partial correction: Posted original and amended appropriations as approved, did not post temporary appropriations for FY2017 & FY2018. We will post all appropriation types as approved in the future.

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SOUTHINGTON LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 1, 2018**