Rea & associates a brighter way

Southern Local School District
Columbiana County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2019

CPAs and business consultants
www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the Southern Local School District, Columbiana County, prepared by Rea & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

February 24, 2020

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Southern Local School District
Columbiana County, Ohio
Table of Contents
June 30, 2019

Page

Southern Local School District
Columbiana County, Ohio
Table of Contents
June 30, 2019
(Continued)

Page

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January 27, 2020

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Columbiana County, Ohio (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Columbiana County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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The discussion and analysis of the Southern Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- Net position increased $1,142,592, which represents a 224.53 percent increase from 2018.
- Capital assets decreased $389,520 during fiscal year 2019.
- During the year, outstanding debt decreased from $2,942,351 to $2,721,211.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These 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 takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general and bond retirement funds.

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

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

Reporting the School District's Fiduciary Responsibilities

The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2019 compared to 2018:

Table 1
Net Position

	Governmental Activities		
	2019	2018	Change
Assets			
Current and Other Assets	$ 7,185,412	$ 6,172,987	$ 1,012,425
Net OPEB Asset	608,218	0	608,218
Capital Assets	10,109,120	10,498,640	(389,520)
Total Assets	17,902,750	16,671,627	1,231,123
Deferred Outflows of Resources			
Deferred Charges on Refunding	36,427	43,151	(6,724)
Pension & OPEB	3,706,113	4,318,249	(612,136)
Total Deferred Outflows of Resources	3,742,540	4,361,400	(618,860)
Liabilities			
Current Liabilities	1,271,614	1,091,936	179,678
Long-Term Liabilities:			
Due Within One Year	522,887	451,169	71,718
Due in More Than One Year			
Pension & OPEB	12,382,688	14,179,229	(1,796,541)
Other Amounts	2,588,733	2,879,352	(290,619)
Total Liabilities	16,765,922	18,601,686	(1,835,764)
Deferred Inflows of Resources			
Property Taxes	2,555,463	2,264,457	291,006
Pension & OPEB	1,690,184	675,755	1,014,429
Total Deferred Inflows of Resources	4,245,647	2,940,212	1,305,435
Net Position			
Net Investment in Capital Assets	7,365,731	7,526,978	(161,247)
Restricted	1,761,626	1,355,727	405,899
Unrestricted	(8,493,636)	(9,391,576)	897,940
Total Net Position	$ 633,721	$ (508,871)	$ 1,142,592

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2019 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

At year end, capital assets represented 56 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets was $7,365,731 at June 30, 2019. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, $1,761,626, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of $8,493,636 which has primarily been caused by GASB 68/75.

Current and other assets increased with the most significant increase being cash and cash equivalents primarily due to increased property taxes. Property taxes receivable increased partially due to an increase in the assessed property tax values for tax year 2018. The decrease in capital assets is due to depreciation exceeding capital purchases.

There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in the retirement systems unfunded liabilities that are passed through to the School District's financial statements All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

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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 2019 and 2018.

Table 2
Changes in Net Position

	2019	2018	Change
Revenues			
Program Revenues:			
Charges for Services	$ 1,431,013	$ 1,498,812	$ (67,799)
Operating Grants	1,465,144	1,625,291	(160,147)
Total Program Revenues	2,896,157	3,124,103	(227,946)
General Revenues:			
Property Taxes	4,108,907	3,636,011	472,896
Grants and Entitlements Not Restricted	7,977,081	7,801,411	175,670
Other	206,061	154,943	51,118
Total General Revenues	12,292,049	11,592,365	699,684
Total Revenues	15,188,206	14,716,468	471,738
Program Expenses			
Instruction:			
Regular	5,313,563	2,750,138	2,563,425
Special	1,417,419	562,934	854,485
Vocational	191,584	106,078	85,506
Other	62,234	63,245	(1,011)
Support Services:			
Pupils	485,518	430,584	54,934
Instructional Staff	416,886	442,988	(26,102)
Board of Education	636,984	747,441	(110,457)
Administration	1,031,876	688,103	343,773
Fiscal	572,608	569,920	2,688
Business	7,013	3,116	3,897
Operation and Maintenance of Plant	1,712,609	1,553,083	159,526
Pupil Transportation	892,879	305,324	587,555
Central	62,312	50,130	12,182
Operation of Non-Instructional Services:			
Food Service Operations	547,072	570,660	(23,588)
Community Services	12,015	35,345	(23,330)
Other	0	90,771	(90,771)
Extracurricular Activities	591,819	512,549	79,270
Debt Service:			
Interest and Fiscal Charges	91,223	112,482	(21,259)
Total Expenses	14,045,614	9,594,891	4,450,723
Increase (Decrease) in Net Position	1,142,592	5,121,577	(3,978,985)
Net Position at Beginning of Year	(508,871)	(5,630,448)	5,121,577
Net Position at End of Year	$ 633,721	$ (508,871)	$ 1,142,592

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

The previously discussed decrease in net pension/OPEB liabilities, substantially increased all instructional, support services and extracurricular activities expenses compared to fiscal year 2018.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2019	2018	2019	2018
Instruction:				
Regular	$ 5,313,563	$ 2,750,138	$ 4,224,065	$ 1,674,567
Special	1,417,419	562,934	407,139	(564,533)
Vocational	191,584	106,078	154,782	73,373
Other	62,234	63,245	62,234	63,245
Support Services:				
Pupils	485,518	430,584	485,518	430,584
Instructional Staff	416,886	442,988	305,926	210,390
Board of Education	636,984	747,441	636,984	747,441
Administration	1,031,876	688,103	957,043	648,722
Fiscal	572,608	569,920	572,608	569,920
Business	7,013	3,116	7,013	3,116
Operation and Maintenance of Plant	1,712,609	1,553,083	1,704,324	1,550,028
Pupil Transportation	892,879	305,324	892,879	305,324
Central	62,312	50,130	62,312	50,130
Operation of Non-Instructional Services:				
Food Service Operations	547,072	570,660	110,188	92,822
Community Services	12,015	35,345	(8,174)	35,345
Other	0	90,771	0	90,771
Extracurricular Activities	591,819	512,549	483,393	377,061
Debt Service:				
Interest and Fiscal Charges	91,223	112,482	91,223	112,482
Total Expenses	$ 14,045,614	$ 9,594,891	$ 11,149,457	$ 6,470,788

The dependence upon general revenues for governmental activities is apparent. Over 79 percent of governmental activities are supported through taxes and other general revenues; such revenues are 81 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

The total and net cost of services changes were primarily caused by the changes related to NPL/NOA/NOL, as previously discussed.

Governmental Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $15,095,612 and expenditures of $14,591,233 for fiscal year.

The general fund's net change in fund balance for fiscal year 2019 was an increase of $445,298. The increase is primarily due to an increase in property and other local taxes revenue as previously discussed.

The fund balance of the bond retirement fund increased by $189,748.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the School District did not amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue and other financing sources was higher than the final budget basis revenue. Most of this difference is due to an underestimation of property tax and intergovernmental revenue.

Final appropriations were higher than the actual expenditures and other financing sources, as cost savings were recognized for instruction and student support services throughout the year.

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Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2019 balances compared with 2018.

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

	Governmental Activities	
	2019	2018
Land	$ 84,670	$ 84,670
Construction in Progress	259,302	558,712
Land Improvements	221,487	259,253
Buildings and Improvements	9,258,429	9,239,951
Furniture and Equipment	80,459	93,312
Vehicles	173,306	224,282
Infratructure	31,467	38,460
Totals	$ 10,109,120	$ 10,498,640

The $389,520 decrease in capital assets was attributable to depreciation exceeding capital asset purchases in the current year. See Note 8 for more information about the capital assets of the School District.

Debt

Table 5 summarizes bonds outstanding. See Note 9 for additional details.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2019	2018
General Obligation Bonds	$ 1,290,000	$ 1,475,000
Lease-Purchase Agreements	1,431,211	1,467,351
Total	$ 2,721,211	$ 2,942,351

During the year, the School District entered into a lease-purchase agreement in the amount of $259,302 for the purchase of 3 buses.

Current Issues

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

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Greg Sabbato, Treasurer of the Southern Local School District, 38095 State Route 39, Salineville, OH 43945 or greg.sabbato@omeresa.net.

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Southern Local School District
Columbiana County, Ohio
Statement of Net Position
June 30, 2019

		Governmental Activities
Assets		
Equity in Pooled Cash and Cash Equivalents	$	2,800,693
Cash and Cash Equivalents with Fiscal Agent		831,106
Receivables:		
Accounts		19,739
Intergovernmental		184,270
Property Taxes		3,349,604
Net OPEB Asset		608,218
Nondepreciable Capital Assets		343,972
Depreciable Capital Assets (Net)		9,765,148
Total Assets		17,902,750
Deferred Outflows of Resources		
Deferred Charges on Refunding		36,427
Pension		3,306,849
OPEB		399,264
Total Deferred Outflows of Resources		3,742,540
Liabilities		
Accounts Payable		30,561
Accrued Wages and Benefits		883,957
Intergovernmental Payable		227,735
Claims Payable		129,361
Long Term Liabilities:		
Due Within One Year		522,887
Due In More Than One Year:		
Net Pension Liability		11,046,863
Net OPEB Liability		1,335,825
Other Amonts Due in More Than One Year		2,588,733
Total Liabilities		16,765,922
Deferred Inflows of Resources		
Property Taxes Levied for the Next Year		2,555,463
Pension		634,501
OPEB		1,055,683
Total Deferred Inflows of Resources		4,245,647
Net Position		
Net Investment in Capital Assets		7,365,731
Restricted For:		
Capital Outlay		76,924
Debt Service		1,069,776
Other Purposes		614,926
Unrestricted		(8,493,636)
Total Net Position	$	633,721

See accompanying notes to the basic finanacial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	$ 5,313,563	$ 1,085,707	$ 3,791	$ (4,224,065)
Special	1,417,419	184,106	826,174	(407,139)
Vocational	191,584	0	36,802	(154,782)
Other	62,234	0	0	(62,234)
Support Services:				
Pupils	485,518	0	0	(485,518)
Instructional Staff	416,886	0	110,960	(305,926)
Board of Education	636,984	0	0	(636,984)
Administration	1,031,876	0	74,833	(957,043)
Fiscal	572,608	0	0	(572,608)
Business	7,013	0	0	(7,013)
Operation and Maintenance of Plant	1,712,609	0	8,285	(1,704,324)
Pupil Transportation	892,879	0	0	(892,879)
Central	62,312	0	0	(62,312)
Operation of Non-Instructional Services:				
Food Service Operations	547,072	52,774	384,110	(110,188)
Community Services	12,015	0	20,189	8,174
Extracurricular Activities	591,819	108,426	0	(483,393)
Debt Service:				
Interest and Fiscal Charges	91,223	0	0	(91,223)
Total	$ 14,045,614	$ 1,431,013	$ 1,465,144	(11,149,457)

General Revenues	
Property Taxes Levied for:	
General Purposes	3,429,268
Debt Service	365,680
Capital Outlay	259,816
Facilities Maintenance	54,143
Grants and Entitlements Not Restricted to Specific Programs	7,977,081
Investment Earnings	18,799
Miscellaneous	187,262
Total General Revenues	12,292,049
Change in Net Position	1,142,592
Net Position Beginning of Year	(508,871)
Net Position End of Year	$ 633,721

See accompanying notes to the basic finanacial statements.

Southern Local School District
Columbiana County, Ohio
Balance Sheet
Governmental Funds
June 30, 2019

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 1,369,225	$ 1,005,946	$ 425,522	$ 2,800,693
Receivables:				
Accounts	19,739	0	0	19,739
Interfund	5,854	0	0	5,854
Intergovernmental	68,555	0	115,715	184,270
Property Taxes	2,694,307	339,834	315,463	3,349,604
Total Assets	$ 4,157,680	$ 1,345,780	$ 856,700	$ 6,360,160
Liabilities				
Accounts Payable	$ 27,996	$ 0	$ 2,565	$ 30,561
Accrued Wages and Benefits	822,861	0	61,096	883,957
Intergovernmental Payable	215,754	0	11,981	227,735
Interfund Payable	0	0	5,854	5,854
Total Liabilities	1,066,611	0	81,496	1,148,107
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	2,021,711	276,004	257,748	2,555,463
Unavailable Revenue	168,635	20,633	133,864	323,132
Total Deferred Inflows of Resources	2,190,346	296,637	391,612	2,878,595
Fund Balances				
Restricted	0	1,049,143	448,375	1,497,518
Assigned	16,958	0	3,893	20,851
Unassigned	883,765	0	(68,676)	815,089
Total Fund Balances	900,723	1,049,143	383,592	2,333,458
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,157,680	$ 1,345,780	$ 856,700	$ 6,360,160

See accompanying notes to the basic finanacial statements.

Southern Local School District
Columbiana County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances		$ 2,333,458
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,109,120
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	$ 115,715	
Delinquent Property Taxes	207,417	323,132
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		701,745
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		36,427
The net pension and OPEB assets/liabilities are not due and payable in the current period; therefore, the assets/liabilities and related deferred inflows/outflows are not reported in the funds.		
Net OPEB Asset	608,218	
Deferred Outflows - Pension	3,306,849	
Deferred Outflows - OPEB	399,264	
Net Pension Liability	(11,046,863)	
Net OPEB Liability	(1,335,825)	
Deferred Inflows - Pension	(634,501)	
Deferred Inflows - OPEB	(1,055,683)	(9,758,541)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
General Obligation Bonds	(1,290,000)	
Bond Premium	(58,605)	
Lease Purchase Obligation	(1,431,211)	
Compensated Absences	(331,804)	(3,111,620)
Net Position of Governmental Activities		$ 633,721

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	$ 3,431,023	$ 369,358	$ 314,393	$ 4,114,774
Intergovernmental	8,367,454	71,159	923,950	9,362,563
Tuition and Fees	1,237,531	0	0	1,237,531
Extracurricular Activities	33,586	0	74,840	108,426
Charges for Services	32,282	0	52,774	85,056
Miscellaneous	187,262	0	0	187,262
Total Revenues	13,289,138	440,517	1,365,957	15,095,612
Expenditures				
Current:				
Instruction:				
Regular	5,019,378	0	0	5,019,378
Special	1,383,388	0	269,320	1,652,708
Vocational	220,539	0	0	220,539
Other	62,234	0	0	62,234
Support Services:				
Pupils	545,232	0	0	545,232
Instructional Staff	280,036	0	88,749	368,785
Board of Education	636,984	0	0	636,984
Administration	1,025,461	0	73,482	1,098,943
Fiscal	507,444	8,282	6,868	522,594
Business	7,013	0	0	7,013
Operation and Maintenance of Plant	1,321,790	0	200,428	1,522,218
Pupil Transportation	959,926	0	0	959,926
Central	42,164	0	0	42,164
Extracurricular Activities	329,603	0	174,435	504,038
Operation of Non-Instructional Services:				
Food Service Operations	0	0	514,446	514,446
Community Services	0	0	12,015	12,015
Capital Outlay	62,243	0	259,302	321,545
Debt Service:				
Principal Retirement	239,863	185,000	55,579	480,442
Interest and Fiscal Charges	42,542	57,487	0	100,029
Total Expenditures	12,685,840	250,769	1,654,624	14,591,233
Excess of Revenues Over (Under) Expenditures	603,298	189,748	(288,667)	504,379
Other Financing Sources (Uses)				
Inception of Lease Purchase	0	0	259,302	259,302
Transfers In	0	0	158,000	158,000
Transfers Out	(158,000)	0	0	(158,000)
Total Other Financing Sources (Uses)	(158,000)	0	417,302	259,302
Net Change in Fund Balance	445,298	189,748	128,635	763,681
Fund Balances Beginning of Year	455,425	859,395	254,957	1,569,777
Fund Balances End of Year	$ 900,723	$ 1,049,143	$ 383,592	$ 2,333,458

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds		$ 763,681
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.		
Capital Asset Additions	$ 362,346	
Current Year Depreciation	(751,866)	(389,520)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(5,867)	
Intergovernmental	79,662	73,795
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	185,000	
Lease Purchase Agreements	295,442	480,442
Debt proceeds issued in the governmental funds that increase long-term in the statement of net position are not reported as revenues.		
Inception of Lease Purchase		(259,302)
In the statement of activities, interest is accrued on outstanding bonds; and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	5,684	
Amortization of Premium on Bonds	10,820	
Amortization of Refunding Loss/Gain	(6,724)	9,780
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	824,415	
OPEB	41,482	865,897
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB assets/liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,270,940)	
OPEB	1,183,237	(87,703)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.		(301,419)
Some expenses reported in the statement of activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(13,059)
Change in Net Position of Governmental Activities		$ 1,142,592

See accompanying notes to the basic finanacial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues and Other Financing Sources	$ 11,454,315	$ 11,454,315	$ 12,795,893	$ 1,341,578
Expenditures and Other Financing Uses	12,700,000	12,700,000	12,687,976	12,024
Net Change in Fund Balance	(1,245,685)	(1,245,685)	107,917	1,353,602
Fund Balance Beginning of Year	1,150,773	1,150,773	1,150,773	0
Prior Year Encumbrances Appropriated	99,430	99,430	99,430	0
Fund Balance End of Year	$ 4,518	$ 4,518	$ 1,358,120	$ 1,353,602

See accompanying notes to the basic financial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Governmental Activities - Internal Service Fund
Assets	
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	$ 831,106
Liabilities	
Current Liabilities	
Claims Payable	129,361
Net Position	
Unrestricted	701,745
Total Net Position	$ 701,745

See accompanying notes to the basic finanacial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	$ 1,604,493
Operating Expenses	
Purchased Services	393,902
Claims	1,530,809
Total Operating Expenses	1,924,711
Operating Income (Loss)	(320,218)
Non-Operating Revenues (Expenses)	
Interest	18,799
Change in Net Position	(301,419)
Net Position Beginning of Year	1,003,164
Net Position End of Year	$ 701,745

See accompanying notes to the basic finanacial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash Received from Customers	$ 1,604,493
Cash Paid for Employee Benefits	(393,902)
Cash Paid for Claims	(1,475,121)
Net Cash Provided By (Used For) Operating Activities	(264,530)
Cash Flows From Investing Activities	
Interest on Investments	18,799
Net Increase (Decrease) in Cash and Cash Equivalents	(245,731)
Cash and Cash Equivalents, Beginning of Year	1,076,837
Cash and Cash Equivalents, End of Year	$ 831,106
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating Income (Loss)	$ (320,218)
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:	
Claims Payable	55,688
Net Cash Provided By (Used For) Operating Activities	$ (264,530)

See accompanying notes to the basic finanacial statements.

Southern Local School District
Columbiana County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2019

		Agency
Assets		
Equity in Pooled Cash and Investments	$	92,936
Liabilities		
Due to Students	$	92,936

See accompanying notes to the basic finanacial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's Governing Board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no components units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

The School District is involved with the Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Council of Governments (OME-RESA), the Columbiana County Career and Technical Center, which are defined as jointly governed organizations, the Jefferson Health Plan and Schools of Ohio Risk Sharing Authority are insurance purchasing pools, and the Ohio Association of School Business Officials is a public entity risk pool. Additional information concerning these organizations is presented in Notes 17, 18 and 19.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

B. Fund Accounting

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

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

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

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

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

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

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

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

C. Measurement Focus

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the School District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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

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

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, income taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13).

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

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

E. Cash and Cash Equivalents

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund in fiscal year 2019 was zero.

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

F. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School District's capitalization threshold is $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The infrastructure class tracks costs for the waste treatment facility.

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

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

G. Interfund Balances

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

H. Compensated Absences

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

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

The total liability for vacation and sick leave has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

I. Pensions and Other Postemployment Benefits (OPEB)

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

J. Bond Premiums

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

K. Accrued Liabilities and Long-Term Obligations

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

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes instructional activities, grants and extracurricular activities. At June 30, 2019, none of the School District's net position was restricted by enabling legislation.

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

N. Interfund Activity

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

O. Estimates

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2019, the School District had no extraordinary or special terms.

Q. Budgetary Data

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

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

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

R. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2019, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 – ACCOUNTABILITY

Fund balances at June 30, 2019 included the following individual fund deficits:

Non-Major Funds	
Food Service	$ 43,126
Title VI-B	12,981
Title I	8,749
Title II-A	3,820

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

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio).

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Deposits

At year-end, $2,799,699 of the School District's bank balance of $3,049,699 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

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

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Cash with Fiscal Agent

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

Investments

As of June 30, 2019, the School District had no investments.

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Balances

Interfund balances for the year ended June 30, 2019 consisted of the following, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
General Fund	$ 5,854	$ 0
Other Governmental Funds:		
Title VI-B	0	2,033
Title II-A	0	3,821
Total	$ 5,854	$ 5,854

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

B. Interfund Transfers

During the fiscal year, the general fund transferred $93,000 to the athletic fund and $65,000 to the food service fund to provide additional resources for current operations

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

NOTE 6 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at 35 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 Columbiana, Carroll, and Jefferson Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second-Half Collections		2019 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	$ 92,115,970	70%	$ 90,933,260	69%
Public Utility Personal Property	38,661,570	30%	41,704,050	31%
Total Assessed Value	$ 130,777,540	100%	$ 132,637,310	100%
Tax rate per $1,000 of Assessed Value	$ 39.44		$ 39.04	

NOTE 7 – RECEIVABLES

Receivables at June 30, 2019 consisted of property taxes, accounts, interfund, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	$ 84,670	$ 0	$ 0	$ 84,670
Construction in Progress	558,712	353,643	(653,053)	259,302
Total Nondepreciable Capital Assets	643,382	353,643	(653,053)	343,972
Depreciable Capital Assets:				
Land Improvements	802,061	0	0	802,061
Buildings and Improvements	18,412,888	653,053	0	19,065,941
Furniture and Equipment	494,881	8,703	0	503,584
Vehicles	1,389,667	0	(56,377)	1,333,290
Infrastructure	139,856	0	0	139,856
Total Capital Assets, Being Depreciated	21,239,353	661,756	(56,377)	21,844,732
Less Accumulated Depreciation:				
Land Improvements	(542,808)	(37,766)	0	(580,574)
Buildings and Improvements	(9,172,937)	(634,575)	0	(9,807,512)
Furniture and Equipment	(401,569)	(21,556)	0	(423,125)
Vehicles	(1,165,385)	(50,976)	56,377	(1,159,984)
Infrastructure	(101,396)	(6,993)	0	(108,389)
Total Accumulated Depreciation	(11,384,095)	(751,866) *	56,377	(12,079,584)
Total Capital Assets Being Depreciated, Net	9,855,258	(90,110)	0	9,765,148
Governmental Activities Capital Assets, Net	$ 10,498,640	$ 263,533	$ (653,053)	$ 10,109,120

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 557,919
Support Services:	
Instructional Staff	1,900
Administration	5,367
Operation and Maintenance of Plant	72,438
Pupil Transportation	43,341
Operation of Non-Instructional Services:	
Food Service Operations	3,987
Extracurricular Activities	66,914
Total Depreciation Expense	$ 751,866

NOTE 9 – LONG-TERM OBLIGATIONS

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

	Outstanding 6/30/2018	Additions	Deductions	Outstanding 6/30/2019	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
2007 Refunding Bonds					
Curent Interest Bonds	$ 1,475,000	$ 0	$ (185,000)	$ 1,290,000	$ 195,000
Unamortized Premium	69,425	0	(10,820)	58,605	0
Total General Obligation Bonds	1,544,425	0	(195,820)	1,348,605	195,000
Direct Borrowings:					
Football Field Renovations Lease-Purchase	634,378	0	(106,053)	528,325	110,064
HB264-Infrastructure	747,463	0	(91,719)	655,744	93,790
Bus Lease-Purchase	85,510	0	(42,091)	43,419	43,419
Bus Lease-Purchase	0	259,302	(55,579)	203,723	48,270
Total Direct Borrowings	1,467,351	259,302	(295,442)	1,431,211	295,543
Net Pension Liability:					
Pension	11,533,585	0	(486,722)	11,046,863	0
OPEB	2,645,644	0	(1,309,819)	1,335,825	0
Total Net Pension Liability	14,179,229	0	(1,796,541)	12,382,688	0
Other Liabilities:					
Compensated Absences	318,745	82,944	(69,885)	331,804	32,344
Total Governmental Activities					
Long-Term Liabilities	$ 17,509,750	$ 342,246	$ (2,357,688)	$ 15,494,308	$ 522,887

Pension Liability There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

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

General Obligation Bonds

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

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

LEASE-PURCHASE AGREEMENTS

During fiscal year 2013, the School District entered into lease-purchase agreement with the Ohio School Building Leasing Corporation to finance football field renovations, bleachers and a building at the School District. The source of revenue to fund the principal and interest payments is derived from a permanent improvement tax levy. In the event of default, as defined by the lease agreement, the lessor has the right to exercise all rights and remedies, including the rights to take possession of and sublease the project site and facilities. The School District is liable for all payments due and any legal fees, costs, and expenses associated with the exercising of the Lessor's rights and remedies.

During fiscal year 2017, the School District entered into a lease-purchase agreement with the Jefferson Health Plan to finance energy conservation infrastructure projects. In the event of default, as defined by the lease agreement, the lessor has the right to exercise all rights and remedies, including the rights to take possession of and sell or lease the project. The School District is liable for applicable lease payments and other payments due during the current lease term.

During fiscal year 2017, the School District entered into a lease-purchase agreement for buses. The buses were capitalized in the amount of $171,102 representing the present value of the minimum lease payments at the time of the acquisition. In the event of default, as defined by the lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the buses and hold the School District liable for amounts payable.

During fiscal year 2019, the School District entered into a lease-purchase agreement for three buses. The buses were capitalized in the amount of $259,302 representing the present value of the minimum lease payments at the time of the acquisition. In the event of default, as defined by the lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the buses and hold the School District liable for amounts payable.

The general obligation bonds will be paid from property tax revenues of the bond retirement – debt service fund. The direct borrowings will be paid from the general and permanent improvement funds.

The following is a summary of the School District's annual debt service principal and interest payments on debt outstanding at June 30, 2019:

Fiscal Year Ending	General Obligation Bonds		Lease-Purchase Agreements		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 195,000	$ 49,649	$ 295,543	$ 42,440	$ 490,543	$ 92,089
2021	200,000	41,503	260,324	32,871	460,324	74,374
2022	210,000	33,020	268,713	24,482	478,713	57,502
2023	215,000	24,201	277,386	15,809	492,386	40,010
2024	230,000	14,910	164,656	6,884	394,656	21,794
2025-2026	240,000	5,040	164,589	8,319	404,589	13,359
Total	$ 1,290,000	$ 168,323	$ 1,431,211	$ 130,805	$ 2,721,211	$ 299,128

NOTE 10 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment.

Principals, teachers, aides, secretaries, bus drivers, cafeteria workers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus 90 days, not to exceed 300 days for certified employees and 280 for non-certified employees. Upon retirement, certified employees are paid one-third of their total sick leave accumulation up to their maximum accumulation.

B. Life Insurance

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

NOTE 11– RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2019, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property, boiler and inland marine insurance. This risk policy has a $1,000 deductible.

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

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

B. Workers' Compensation Plan

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

C. Medical, Vision, Dental and Prescription Insurance

Medical, vision, dental and prescription insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of several School Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of $129,361 reported in the internal service fund at June 30, 2019, is based on an estimate provided by Professional Risk Management (the third party administrator) and the requirements of GASB Statement No. 10, *"Accounting and Financial Reporting for Risk Financing and Related Insurance Issues"*, as amended by GASB Statement No. 30, *"Risk Financing Omnibus"*, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

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

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2019	$ 73,673	$ 1,530,809	$ (1,475,121)	$ 129,361
2018	207,094	1,651,647	(1,785,068)	73,673

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.

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

Age and service requirements for retirement are as follows:

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

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

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

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

The School District's contractually required contribution to SERS was $261,482 for fiscal year 2019. Of this amount, $546 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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.5 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. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. 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 DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

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, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $562,933 for fiscal year 2019. Of this amount, $111,830 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04756970%	0.03785042%	
Prior Measurement Date	0.04320810%	0.03768434%	
Change in Proportionate Share	0.00436160%	0.00016608%	
Proportionate Share of the Net Pension Liability	$ 2,724,405	$ 8,322,458	$ 11,046,863
Pension Expense	$ 408,123	$ 862,817	$ 1,270,940

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

At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS		STRS		Total	
Deferred Outflows of Resources						
Differences between Expected and Actual Experience	$	149,418	$	192,108	$	341,526
Changes of Assumptions		61,522		1,474,897		1,536,419
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		332,407		272,082		604,489
School District Contributions Subsequent to the Measurement Date		261,482		562,933		824,415
Total Deferred Outflows of Resources	$	804,829	$	2,502,020	$	3,306,849
Deferred Inflows of Resources						
Differences between Expected and Actual Experience	$	0	$	54,350	$	54,350
Net Difference between Projected and Actual Earnings on Pension Plan Investments		75,485		504,666		580,151
Total Deferred Inflows of Resources	$	75,485	$	559,016	$	634,501

$824,415 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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:						
2020	$	398,297	$	788,204	$	1,186,501
2021		182,125		554,328		736,453
2022		(89,408)		136,952		47,544
2023		(23,152)		(99,413)		(122,565)
	$	467,862	$	1,380,071	$	1,847,933

Actuarial Assumptions - SERS

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

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

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, 2018, are presented below:

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

Date of most recent study was June 30, 2015.

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	$ 3,837,530	$ 2,724,405	$ 1,791,124

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	$ 12,153,854	$ 8,322,458	$ 5,079,701

NOTE 13 – DEFINED BENEFITS OPEB PLANS

Net OPEB Asset/Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description **-** The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program.

Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was $31,797.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $41,482 for fiscal year 2019. Of this amount $31,817 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.04815050%	0.03785042%	
Prior Measurement Date	0.04379490%	0.03768434%	
Change in Proportionate Share	0.00435560%	0.00016608%	
Proportionate Share of the Net OPEB Liability/(Asset)	$ 1,335,825	$ (608,218)	$ 727,607
OPEB Expense	$ 124,761	$ (1,307,998)	$ (1,183,237)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 21,805	$ 71,041	$ 92,846
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	207,890	57,046	264,936
School District Contributions Subsequent to the Measurement Date	41,482	0	41,482
Total Deferred Outflows of Resources	$ 271,177	$ 128,087	$ 399,264
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 35,437	$ 35,437
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	2,005	69,483	71,488
Changes of Assumptions	120,013	828,745	948,758
Total Deferred Inflows of Resources	$ 122,018	$ 933,665	$ 1,055,683

$41,482 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS		STRS		Total	
Fiscal Year Ending June 30:						
2020	$	27,555	$	(143,231)	$	(115,676)
2021		24,711		(143,231)		(118,520)
2022		15,704		(143,232)		(127,528)
2023		16,557		(127,449)		(110,892)
2024		16,419		(121,915)		(105,496)
Thereafter		6,731		(126,520)		(119,789)
	$	107,677	$	(805,578)	$	(697,901)

Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

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

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 1,620,919	$ 1,335,825	$ 1,110,084

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	$ 1,077,766	$ 1,335,825	$ 1,677,542

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	$ (521,299)	$ (608,218)	$ (681,268)

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	$ (677,144)	$ (608,218)	$ (538,217)

NOTE 14 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

GAAP Basis	$	445,298
Net Adjustment for Revenue Accruals		(459,659)
Net Adjustment for Expenditure Accruals		127,641
Funds Budgeted Elsewhere**		696
Adjustment for Encumbrances		(6,059)
Budget Basis	$	107,917

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

NOTE 15 – CONTINGENCIES AND COMMITMENTS

A. Grants

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

B. Litigation

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

C. Encumbrance Commitments

Outstanding encumbrances for governmental funds include $6,059 in the general fund.

D. School District Foundation Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2019 Foundation funding for the School District. The financial statement impact was determined to be immaterial and is not reported as an asset or liability of the School District.

NOTE 16 – SET-ASIDES

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

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2018	$ 0
Current Year Set-Aside Requirement	155,404
Current Year Qualifying Expenditures	(283,733)
Totals	$ 0
Balance Carried Forward to Fiscal Year 2020	$ 0
Set-Aside Restricted Balance as of June 30, 2019	$ 0

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

NOTE 17 - JOINTLY GOVERNMENT ORGANIZATIONS

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

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

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuance to Section 3301.075 of the Ohio Revised Code and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost effective accounting and other administrative and instructional computer services for participating Ohio school districts. The School District paid $59,963 to OME-RESA during the fiscal year 2019.

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

B. Columbiana County Career and Technical Center

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

NOTE 18 - PUBLIC ENTITY RISK POOL

A. Ohio Association of School Business Officials

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

NOTE 19 - INSURANCE PURCHASING POOLS

A. Jefferson Health Plan

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

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

B. Schools of Ohio Risk Sharing Authority

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

NOTE 20 – FUND BALANCE

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

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

	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Debt Service	0	1,049,143	0	1,049,143
Capital Outlay	0	0	57,747	57,747
Student Activities	0	0	5,509	5,509
Facilities Maintenance	0		370,799	370,799
Other Purposes	0	0	14,320	14,320
Total Restricted	0	1,049,143	448,375	1,497,518
Assigned for:				
Capital Outlay	0	0	3,893	3,893
Public School Support	10,899	0	0	10,899
Encumbrances:				
Support Services	6,059	0	0	6,059
Total Assigned	16,958	0	3,893	20,851
Unassigned	883,765	0	(68,676)	815,089
Total Fund Balance	$ 900,723	$ 1,049,143	$ 383,592	$ 2,333,458

NOTE 21 – SUBSEQUENT EVENTS

In November 2019, voters approved the School District's 7.84 Mill, five year renewal levy.

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

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
School District's Proportion of the Net Pension Liability	0.04756970%	0.04320810%	0.03604930%	0.03353900%
School District's Proportionate Share of the Net Pension Liability	$ 2,724,405	$ 2,581,589	$ 2,638,476	$ 1,913,768
School District's Covered Payroll	$ 1,145,741	$ 1,679,714	$ 1,201,786	$ 1,009,697
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	237.79%	153.69%	219.55%	189.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%
State Teachers Retirement System (STRS)				
School District's Proportion of the Net Pension Liability	0.03785042%	0.03768434%	0.03634591%	0.03376254%
School District's Proportionate Share of the Net Pension Liability	$ 8,322,458	$ 8,951,996	$ 12,166,072	$ 9,330,979
School District's Covered Payroll	$ 4,423,379	$ 4,202,157	$ 3,951,314	$ 3,522,557
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.15%	213.03%	307.90%	264.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

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

2015	2014
0.03241900%	0.03241900%
$ 1,640,707	$ 1,927,854
$ 942,027	$ 1,003,324
174.17%	192.15%
71.70%	65.52%
0.03392511%	0.03392511%
$ 8,251,761	$ 9,829,444
$ 3,466,208	$ 3,650,815
238.06%	269.24%
74.70%	69.30%

See accompanying notes to the required supplementary information.

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

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 261,482	$ 154,675	$ 235,160	$ 168,250
Contributions in Relation to the Contractually Required Contribution	(261,482)	(154,675)	(235,160)	(168,250)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 1,936,904	$ 1,145,741	$ 1,679,714	$ 1,201,786
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 562,933	$ 619,273	$ 588,302	$ 553,184
Contributions in Relation to the Contractually Required Contribution	(562,933)	(619,273)	(588,302)	(553,184)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 4,020,950	$ 4,423,379	$ 4,202,157	$ 3,951,314
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ 133,078	$ 130,565	$ 138,860	$ 134,070	$ 120,110	$ 129,798
(133,078)	(130,565)	(138,860)	(134,070)	(120,110)	(129,798)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 1,009,697	$ 942,027	$ 1,003,324	$ 996,803	$ 955,529	$ 958,626
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
$ 493,158	$ 450,607	$ 474,606	$ 483,147	$ 433,696	$ 439,066
(493,158)	(450,607)	(474,606)	(483,147)	(433,696)	(439,066)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 3,522,557	$ 3,466,208	$ 3,650,815	$ 3,716,515	$ 3,336,123	$ 3,377,431
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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

	2019	2018	2017
School Employees Retirement System (SERS)			
School District's Proportion of the Net OPEB Liability	0.04815050%	0.04379490%	0.03646751%
School District's Proportionate Share of the Net OPEB Liability	$ 1,335,825	$ 1,175,340	$ 1,039,459
School District's Covered Payroll	$ 1,145,741	$ 1,679,714	$ 1,201,786
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	116.59%	69.97%	86.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
State Teachers Retirement System (STRS)			
School District's Proportion of the Net OPEB Liability/(Asset)	0.03785042%	0.03768434%	0.03634591%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	$ (608,218)	$ 1,470,304	$ 1,943,789
School District's Covered Payroll	$ 4,423,379	$ 4,202,157	$ 3,951,314
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-13.75%	34.99%	49.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

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

	2019	2018	2017	2016
School Employees Retirement System (SERS)				
Contractually Required Contribution (1)	$ 41,482	$ 31,258	$ 23,632	$ 18,176
Contributions in Relation to the Contractually Required Contribution	(41,482)	(31,258)	(23,632)	(18,176)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 1,936,904	$ 1,140,156	$ 1,679,714	$ 1,201,786
OPEB Contributions as a Percentage of Covered Payroll (1)	2.14%	2.74%	1.41%	1.51%
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School District's Covered Payroll	$ 4,020,950	$ 4,423,379	$ 4,202,157	$ 3,951,314
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ 25,215	$ 18,906	$ 16,082	$ 19,005	$ 31,967	$ 17,781
(25,215)	(18,906)	(16,082)	(19,005)	(31,967)	(17,781)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 1,009,697	$ 942,027	$ 1,003,324	$ 996,803	$ 955,529	$ 958,626
2.50%	2.01%	1.60%	1.91%	3.35%	1.85%
$ 0	$ 34,662	$ 36,508	$ 37,165	$ 33,361	$ 33,774
0	(34,662)	(36,508)	(37,165)	(33,361)	(33,774)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 3,522,557	$ 3,466,208	$ 3,650,815	$ 3,716,515	$ 3,336,123	$ 3,377,431
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions - SERS

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

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

Changes in Benefit Terms - SERS

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

Changes in Assumptions – STRS

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

Changes in Benefit Terms - STRS

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

Note 2 - Net OPEB Asset/Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62

percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare	
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Medicare	
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

Changes in Benefit Terms - SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – STRS

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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January 27, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Columbiana County, Ohio (the "School District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 27, 2020.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs*, as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2019-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2019-002 and 2019-003.

School District's Response to Findings

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

Purpose of this Report

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

Rea & Associates, Inc.

New Philadelphia, Ohio

Rea & associates a brighter way

January 27, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited Southern Local School District's, Columbiana County, Ohio (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

CPAs and business consultants
www.reacpa.com

Opinion on Each Major Federal Program

In our opinion, Southern Local School District, Columbiana County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Rea & Associates, Inc.

New Philadelphia, Ohio

Southern Local School District
Columbiana County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor Program Title	Grant Year	CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title I Grants to Local Educational Agencies	2018	84.010	$ 8,128	$ -
Title I Grants to Local Educational Agencies	2019	84.010	212,008	-
Total Title I			220,136	-
Special Education Cluster:				
Special Education Grants to States	2018	84.027	12,408	-
Special Education Grants to States	2019	84.027	193,828	-
Total Special Education Cluster			206,236	-
Rural Education	2019	84.358	12,015	-
Total Rural Education			12,015	-
Improving Teacher Quality State Grants	2019	84.367	17,819	-
Total Improving Teacher Quality State Grants			17,819	-
Total U.S. Department of Education			**456,206**	**-**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2019	10.555	26,020	-
School Breakfast Program	2019	10.553	9,299	-
Non-Cash Assistance Subtotal			35,319	-
Cash Assistance:				
National School Lunch Program	2019	10.555	274,872	-
School Breakfast Program	2019	10.553	100,859	-
Cash Assistance Subtotal			375,731	-
Total Child Nutrition Cluster			411,050	-
Total U.S. Department of Agriculture			**411,050**	**-**
TOTAL FEDERAL ASSISTANCE			**$ 867,256**	**$ -**

See accompanying notes to this schedule.

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southern Local School District (the School District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

Southern Local School District
Columbiana County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	None Reported
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Title I Grants to Local Educational Agencies Special Education Cluster: Special Education Grants to States	CFDA # 84.010 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

Finding Number: 2019-001

Material Weakness – Approval of Invoices

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

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

Cause: The Treasurer's office has accepted various methods of invoice approval including sign offs on invoices, email approval and verbal approval. These inconsistencies have made it challenging for the Treasurer's office to retain documentation of the formal invoice approval.

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

Recommendations: We recommend the School District implement procedures to ensure all vendor invoices are formally approved by the receiving party prior to payment and that documentation is retained with voucher packets.

Management Response: See Corrective Action Plan.

Finding Number: 2019-002

Material Noncompliance – Posting of Estimated Resources to the Accounting System

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

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

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

Finding Number: 2019-002 (Continued)

Condition: The amounts of estimated resources as certified by the budget commission did not agree to the School District's ledgers.

Fund	System Final Estimated Receipts	Audited Final Estimated Receipts	Difference
General	$12,794,488	$11,454,315	$1,340,173
Other Funds:			
Bond Retirement	410,758	348,037	62,721
Permanent Improvement	286,103	524,718	(238,615)
Food Service	501,885	550,000	(48,115)
Title I	228,121	275,000	(46,879)

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

Effect: Failure to accurately post the estimated resources to the ledgers could cause errors in determining amounts available for appropriation.

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

School District's Response: See Corrective Action Plan.

Finding Number: 2019-003

Material Noncompliance - Ohio Revised Code Section 5705.41(D)

Criteria: Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appointed and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The following explains the main exceptions to the standard requirement stated above, which are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Finding Number: 2019-003 (Continued)

1. "Then and Now" certificate **–** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than $3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

2. Blanket Certificate **–** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate **–** The School District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Condition: We noted 24 out of the 48 disbursements selected for testing were not certified prior to the obligation date in accordance with ORC 5705.41(D).

Cause: The School District has been making many changes to the requisition process over the past year, including a transition to the USAS Redesign accounting system. These changes contributed to delays in approving requisitions and creating purchase orders.

Effect: Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

Recommendation: To improve controls over disbursements and to help reduce the possibility of the School District's funds exceeding budgetary spending limitations, we recommend the Treasurer certify that funds are available prior to incurring expenditures in order to remain in compliance with aforementioned statute.

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

Finding Number: 2019-004

Significant Deficiency – Leave Accrual and Usage

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

Condition: It was noted that the School District does not have adequate internal controls in place to ensure all leave balances are accurately reflected in the payroll system.

Cause: The School District uses an employee kiosk system to administer sick and vacation leave, however it does not have a process to reconcile leave accrual and usage between the kiosk and the payroll system.

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

Recommendations: We recommend the School District implement procedures to ensure all employee leave accruals and usage are properly reflected in the payroll system. This should include reconciling the employee kiosk system to the payroll system on a periodic basis. The School District should maintain documentation of this reconciliation and any adjustments made.

Management Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

BOARD OF EDUCATION
Robert Dowling
Rodney Edmiston
Patty Exline
Linda Morris
John Sawyer
Gregory Sabbato, Treasurer

Tom Cunningham, *Superintendent*
Southern Local Board of Education 330-679-2343
Jay Kiger, *Principal*
Southern Local Jr./Sr.High School 330-679-2305
Ron Sines, *Associate Principal*
Southern Local Jr./Sr. High School 330-679-2305
Rich Wright, *Elementary Principal*
Southern Local Elementary School 330-679-2305
Emily Brinker, *Assistant Principal/Curriculum Director*
Southern Local Elementary School 330-679-2305
Kristy Sampson, *Federal Programs Coordinator* 330-679-2343
Laura Krulik, *Special Ed. Coordinator* 330-679-2305

Southern Local School District
Columbiana County, Ohio
Corrective Action Plan
2 CFR Section 200.511(c)
For the Fiscal Year Ended June 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Procedures will be implemented to ensure all vendor invoices are formally approved by the receiving party prior to payment. The receiving party will mark invoices as "okay to pay."	June 30, 2020	Greg Sabbato, Treasurer
2019-002	The office has undergone training for the system using our accounting system and made significant improvements in entering appropriations. Procedures will be implemented immediately to ensure estimated resources are entered accurately as well.	June 30, 2020	Greg Sabbato, Treasurer
2019-003	We will review the current procedures in place to approve requisitions and create purchase orders and procedures will be implemented to ensure compliance with ORC 5705.41(D).	June 30, 2020	Greg Sabbato, Treasurer
2019-004	Procedures will be implemented over the payroll process to ensure all leave balances are accurately reflected in the payroll system. Procedures will be implemented to reconcile the leave kiosk with the payroll system.	June 30, 2020	Greg Sabbato, Treasurer

Southern Local School District

38095 State Route 39
Salineville, Ohio 43945
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Southern Local School District
Columbiana County, Ohio
Schedule of Prior Audit Findings
2 CFR Section 200.511(b)
June 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness – Approval of Invoices (Initially reported in fiscal year 2018)	Not Corrected	Issue was not corrected. Repeated as finding 2019-001.
2018-002	Material Noncompliance – Posting of Appropriations and Estimated Resources to the Accounting System (Initially reported in fiscal year 2016)	Partially Corrected	Estimated resources not corrected and repeated as finding 2019-002. Appropriation postings were fully corrected.
2018-003	Significant Deficiency – Vacation Accrual and Usage (Initially reported in fiscal year 2018)	Not Corrected	Issue was not corrected. Repeated as finding 2019-004.
2018-004	Noncompliance/Material Weakness – Reporting (Initially reported in fiscal year 2015)	Fully Corrected	The School District submitted the 2018 grant year FER to ODE before the deadline.
2018-005	Material Weakness/Material Noncompliance – Maintenance of Effort (Initially reported in fiscal year 2018)	Fully Corrected	The School District passed the Maintenance of Effort for Title IV-B for fiscal year 2018.
2018-006	Significant Deficiency– Allowable Costs (Initially reported in fiscal year 2015)	Fully Corrected	Procedures were adopted to correct the issues identified in the prior year.

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OHIO AUDITOR OF STATE
KEITH FABER

SOUTHERN LOCAL SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 19, 2020