



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTHINGTON LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Southington Local School District  
Trumbull County  
2482 State Route 534  
Southington, Ohio 44470

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southington Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 21 to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Additionally, as discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding these matters.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 15, 2021

**Southington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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The discussion and analysis of Southington Local School District's (the School District) financial performance is presented by the School District's management and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2020 include:

- Net position decreased in fiscal year 2020. Significant factors affecting this change on net position include depreciation outpacing current year additions resulting in a decrease in capital assets and incorporating changes to the net pension liability decreasing deferred outflows of resources in a greater proportion than the changes to the liability and the deferred inflow of resources.
- The School District is committed to meeting the academic needs of our students by providing them with updated equipment and facilities to compete in a global environment.
- The School District's enrollment changed slightly from the prior fiscal at 523 students in fiscal year 2020. Certified staff decreased from 42 in fiscal year 2019 to 41 in fiscal year 2020.
- The School District had additions to capital assets consisting of the completion of a waterline, chromebooks, core switches, filing cabinets and the partial installation of security cameras.

**Using this Annual Financial Report**

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

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

**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

This analysis of the School District encompasses all of the School District's funds used to provide programs and activities and presents them as a whole. This view of the School District as a whole looks at all financial transactions and answers the questions, "What were the fiscal changes throughout the year?" and "What was the net effect of those changes?" The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. The statements include *all assets and deferred outflows of*

**Southington Local School District**  
*Management's Discussion and Analysis*  
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*resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

#### **Reporting the School District's Most Significant Funds**

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

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

#### **The School District as a Whole**

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1, found on the following page, provides a comparison of the School District's Net Position for fiscal year 2020 compared to fiscal year 2019. 2019 has been restated as described per Note 21.



**Southington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

(Table 1)  
**Net Position - Governmental Activities**

	2020	2019 Restated	Change
<b>Assets</b>			
Current and Other Assets	\$7,467,743	\$7,301,602	\$166,141
Capital Assets, Net	15,950,310	16,591,842	(641,532)
Net OPEB Asset	322,008	310,974	11,034
<i>Total Assets</i>	<u>23,740,061</u>	<u>24,204,418</u>	<u>(464,357)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	568,159	604,807	(36,648)
Pension	1,159,182	1,622,997	(463,815)
OPEB	158,629	139,247	19,382
<i>Total Deferred Outflows of Resources</i>	<u>1,885,970</u>	<u>2,367,051</u>	<u>(481,081)</u>
<b>Liabilities</b>			
Current and Other Liabilities	732,997	759,765	26,768
Long Term Liabilities:			
Due Within One Year	373,516	355,415	(18,101)
Due in More than One Year			
Net Pension Liability	5,500,081	5,494,710	(5,371)
Net OPEB Liability	514,676	608,150	93,474
Other Amounts	6,259,742	6,500,671	240,929
<i>Total Liabilities</i>	<u>13,381,012</u>	<u>13,718,711</u>	<u>337,699</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,951,818	1,942,542	(9,276)
Pension	457,584	609,289	151,705
OPEB	588,349	559,210	(29,139)
<i>Total Deferred Inflows of Resources</i>	<u>2,997,751</u>	<u>3,111,041</u>	<u>113,290</u>
<b>Net Position</b>			
Investment in Capital Assets	10,402,101	10,861,110	(459,009)
Restricted:			
Capital Projects	197,104	222,966	(25,862)
Debt Service	649,853	642,447	7,406
Unclaimed Monies	74	404	(330)
Other Purposes	417,226	419,137	(1,911)
Unrestricted (Deficit)	<u>(2,419,090)</u>	<u>(2,404,347)</u>	<u>(14,743)</u>
<i>Total Net Position</i>	<u>\$9,247,268</u>	<u>\$9,741,717</u>	<u>(\$494,449)</u>

The net pension liability (NPL) is one of the largest liability reported by the School District at June 30, 2020. 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

**Southington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the School District, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$9,247,268 in fiscal year 2020 and \$9,741,717 in fiscal year 2019.

A large portion of the School District's net position reflects "Net Investment in Capital Assets" (i.e. land, construction in progress, buildings, improvements, furniture, fixtures, equipment and vehicles) less any related debt to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total assets decreased due to current year depreciation outpacing the additions in the current fiscal year. This decrease was offset by an increase in cash that was largely a result of revenues outpacing expenses. Total liabilities decreased as a result of the continued pay-down on outstanding bond principal. Net position decreased for these reasons along with the changes in the net pension liability and net OPEB asset/liability and the deferred outflows and deferred inflows of resources associated with these liabilities, which caused program expenses to increase significantly.

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 2020 and 2019. 2019 has been restated as described per Note 21.

**Southington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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

	2020	2019	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$860,853	\$895,110	(\$34,257)
Operating Grants, Contributions and Interest	717,707	610,215	107,492
<i>Total Program Revenues</i>	<u>1,578,560</u>	<u>1,505,325</u>	<u>73,235</u>
General Revenues			
Property Taxes	1,991,128	1,956,850	34,278
Grants and Entitlements not Restricted to Specific Programs	3,851,706	3,847,296	4,410
Investment Earnings	61,178	52,140	9,038
Unrestricted Contributions	1,011	31	980
Miscellaneous	34,244	32,267	1,977
<i>Total General Revenues</i>	<u>5,939,267</u>	<u>5,888,584</u>	<u>50,683</u>
<i>Total Revenues</i>	<u>7,517,827</u>	<u>7,393,909</u>	<u>123,918</u>
<b>Program Expenses</b>			
Instruction:			
Regular	3,905,847	3,427,712	(478,135)
Special	798,190	639,368	(158,822)
Vocational	26,966	22,492	(4,474)
Support Services:			
Pupil	357,046	261,470	(95,576)
Instructional Staff	143,567	121,876	(21,691)
Board of Education	44,128	36,318	(7,810)
Administration	601,495	485,089	(116,406)
Fiscal	297,298	286,711	(10,587)
Business	20,495	15,460	(5,035)
Operation and Maintenance of Plant	518,295	770,464	252,169
Pupil Transportation	343,223	318,370	(24,853)
Central	60,483	61,651	1,168
Operation of Non-Instructional Services	100	100	0
Food Service Operations	234,964	243,877	8,913
Extracurricular Activities	353,204	351,075	(2,129)
Interest and Fiscal Charges	306,975	253,102	(53,873)
<i>Total Expenses</i>	<u>8,012,276</u>	<u>7,295,135</u>	<u>(717,141)</u>
Change in Net Position	(494,449)	98,774	(593,223)
<i>Net Position Beginning of Year - Restated</i>	<u>9,741,717</u>	<u>9,642,943</u>	<u>98,774</u>
<i>Net Position End of Year</i>	<u><u>\$9,247,268</u></u>	<u><u>\$9,741,717</u></u>	<u><u>(\$494,449)</u></u>

**Southington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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***Governmental Activities***

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

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

Program revenues increased for governmental activities in fiscal year 2020. Operating grants increased due to the School District seeking out restricted grant monies as additional sources of operating revenues. General revenues increased in fiscal year 2020 resulting from increased assessed valuation for taxable property within the School District's territory.

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to OPEB in the prior year. Increased amortization of the net difference between projected and actual earnings on investment resulted in changes to pension expense increasing from (\$636,619) in fiscal year 2019 to (\$81,462) in fiscal year 2020.

The *Statement of Activities* shows the cost of program services and 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 for 2020 compared to 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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

**Southington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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

	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$4,731,003	\$3,552,742	\$4,089,572	\$2,889,440
Support Services:				
Pupil and Instructional Staff	500,613	420,199	383,346	377,946
Board of Education, Administration, Fiscal Services, Business and Central	1,023,899	1,017,727	885,229	878,555
Operation and Maintenance of Plant	518,295	480,613	770,464	742,737
Pupil Transportation	343,223	343,223	318,370	318,370
Operation of Non-Instructional Services	100	100	100	100
Food Service Operations	234,964	36,164	243,877	34,938
Extracurricular Activities	353,204	275,973	351,075	294,622
Interest and Fiscal Charges	306,975	306,975	253,102	253,102
<i>Total Expenses</i>	<u>\$8,012,276</u>	<u>\$6,433,716</u>	<u>\$7,295,135</u>	<u>\$5,789,810</u>

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2020. The community, as a whole, is by far the primary support for Southington Local School District students.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$7,479,592 and expenditures of \$7,334,619. The general fund had an increase in fund balance which can be attributed to revenues outpacing expenditures as the School District was able to maintain a surplus in the general fund while continuing to offer the programs the community desires. The bond retirement fund had a slight increase in fund balance due to an increase in property taxes from the change in assessed valuation.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2020, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

Actual revenues were higher than the final certificate as the School District received additional intergovernmental revenues than what was anticipated as final distributions were made. Final budgeted revenues were higher than original budgeted revenues as a clear picture of where revenues would end materialized allowing the Board of Education to make adjustment to the budget. Actual expenditures were lower than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

**Southington Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*Unaudited*

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**Capital Assets and Debt Administration**

***Capital Assets***

All capital assets, except land and construction in progress, are reported net of depreciation. For fiscal year 2020, the net decrease in capital assets during the fiscal year resulted from annual depreciation, offset by additions consisting of the completion of a waterline, chromebooks, core switches, filing cabinets and the partial installation of security cameras. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2020, this amounted to \$91,230. See Note 9 to the basic financial statements for additional information on the School District's capital assets and Note 20 for additional information regarding required set-asides.

***Debt***

At June 30, 2020, the School District had general obligation bonds outstanding in the amount of \$6,350,503. These bonds were issued for the School District's portion of the Ohio School Facilities Commission project. During fiscal year 2016, the School District refunded a portion of the 2008 classroom facilities improvement bonds to take advantage of lower interest rates. These bonds will be fully repaid in fiscal year 2036. The overall debt margin of the School District as of June 30, 2019 was \$1,230,999 with an unvoted debt margin of \$66,445. Please see Note 11 of the notes to the basic financial statements for more information about the School District's long-term obligations.

**Challenges and Opportunities for the Future**

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

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

**Contacting the School District's Financial Management**

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

**Southington Local School District**

*Statement of Net Position*

*June 30, 2020*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,074,514
Accounts Receivable	9,972
Intergovernmental Receivable	137,362
Prepaid Items	8,963
Property Taxes Receivable	2,236,932
Nondepreciable Capital Assets	300,153
Depreciable Capital Assets, Net	15,650,157
Net OPEB Asset (See Note 13)	<u>322,008</u>
<i>Total Assets</i>	<u>23,740,061</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	568,159
Pension	1,159,182
OPEB	<u>158,629</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,885,970</u>
<b>Liabilities</b>	
Accounts Payable	25,997
Contracts Payable	96,657
Accrued Wages and Benefits	410,092
Intergovernmental Payable	177,965
Matured Compensated Absences Payable	7,723
Accrued Interest Payable	14,563
Long-Term Liabilities:	
Due Within One Year	373,516
Due In More Than One Year	
Net Pension Liability (See Note 12)	5,500,081
Net OPEB Liability (See Note 13)	514,676
Other Amounts	<u>6,259,742</u>
<i>Total Liabilities</i>	<u>13,381,012</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	1,951,818
Pension	457,584
OPEB	<u>588,349</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,997,751</u>
<b>Net Position</b>	
Net Investment in Capital Assets	10,402,101
Restricted for:	
Capital Projects	197,104
Debt Service	649,853
Unclaimed Monies	74
Other Purposes	417,226
Unrestricted (Deficit)	<u>(2,419,090)</u>
<i>Total Net Position</i>	<u>\$9,247,268</u>

See accompanying notes to the basic financial statements

**Southington Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,905,847	\$597,875	\$117,338	(\$3,190,634)
Special	798,190	133,803	320,672	(343,715)
Vocational	26,966	4,927	3,646	(18,393)
Support Services:				
Pupil	357,046	0	38,032	(319,014)
Instructional Staff	143,567	0	42,382	(101,185)
Board of Education	44,128	0	0	(44,128)
Administration	601,495	0	750	(600,745)
Fiscal	297,298	0	5,422	(291,876)
Business	20,495	0	0	(20,495)
Operation and Maintenance of Plant	518,295	0	37,682	(480,613)
Pupil Transportation	343,223	0	0	(343,223)
Central	60,483	0	0	(60,483)
Operation of Non-Instructional Services	100	0	0	(100)
Food Service Operations	234,964	50,049	148,751	(36,164)
Extracurricular Activities	353,204	74,199	3,032	(275,973)
Interest and Fiscal Charges	306,975	0	0	(306,975)
<b>Totals</b>	<b>\$8,012,276</b>	<b>\$860,853</b>	<b>\$717,707</b>	<b>(6,433,716)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	1,447,363
Debt Service	457,287
Classroom Facilities Maintenance	86,478
Grants and Entitlements not Restricted to Specific Programs	3,851,706
Investment Earnings	61,178
Unrestricted Contributions	1,011
Miscellaneous	34,244
<b>Total General Revenues</b>	<b>5,939,267</b>
Change in Net Position	(494,449)
<i>Net Position Beginning of Year - (Restated - See Note 21)</i>	<u>9,741,717</u>
<b>Net Position End of Year</b>	<b><u>\$9,247,268</u></b>

See accompanying notes to the basic financial statements



**Southington Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2020*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,879,876	\$598,499	\$596,065	\$5,074,440
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	74	0	0	74
Accounts Receivable	9,972	0	0	9,972
Intergovernmental Receivable	41,417	0	95,945	137,362
Interfund Receivable	10,050	0	0	10,050
Prepaid Items	8,963	0	0	8,963
Property Taxes Receivable	1,628,819	510,858	97,255	2,236,932
<i>Total Assets</i>	<u>\$5,579,171</u>	<u>\$1,109,357</u>	<u>\$789,265</u>	<u>\$7,477,793</u>
<b>Liabilities</b>				
Accounts Payable	\$14,033	\$0	\$11,964	\$25,997
Contracts Payable	79,528	0	17,129	96,657
Accrued Wages and Benefits	372,423	0	37,669	410,092
Interfund Payable	0	0	10,050	10,050
Matured Compensated Absences Payable	7,723	0	0	7,723
Intergovernmental Payable	170,428	0	7,537	177,965
<i>Total Liabilities</i>	<u>644,135</u>	<u>0</u>	<u>84,349</u>	<u>728,484</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	1,422,078	444,941	84,799	1,951,818
Unavailable Revenue	227,866	63,503	88,449	379,818
<i>Total Deferred Inflows of Resources</i>	<u>1,649,944</u>	<u>508,444</u>	<u>173,248</u>	<u>2,331,636</u>
<b>Fund Balances</b>				
Nonspendable	9,037	0	0	9,037
Restricted	0	600,913	541,518	1,142,431
Committed	7,271	0	0	7,271
Assigned	289,833	0	0	289,833
Unassigned (Deficit)	2,978,951	0	(9,850)	2,969,101
<i>Total Fund Balances</i>	<u>3,285,092</u>	<u>600,913</u>	<u>531,668</u>	<u>4,417,673</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,579,171</u>	<u>\$1,109,357</u>	<u>\$789,265</u>	<u>\$7,477,793</u>

See accompanying notes to the basic financial statements

**Southington Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2020*

<b>Total Governmental Fund Balances</b>	<b>\$4,417,673</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,950,310
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:	
Delinquent Property Taxes	274,671
Grants	76,449
Tuition and Fees	<u>28,698</u>
Total	379,818
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(14,563)
The net pension liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset/liabilities and related inflows/outflows are not reported in governmental funds:	
Net OPEB Asset	322,008
Deferred Outflows - Pension	1,159,182
Deferred Outflows - OPEB	158,629
Net Pension Liability	(5,500,081)
Net OPEB Liability	(514,676)
Deferred Inflows - Pension	(457,584)
Deferred Inflows - OPEB	<u>(588,349)</u>
Total	(5,420,871)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Deferred Charge on Refunding	568,159
General Obligation Bonds	(5,678,332)
Bond Premium	(672,171)
Compensated Absences	(253,685)
Special Termination Benefits	<u>(29,070)</u>
Total	<u>(6,065,099)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$9,247,268</u></u>

See accompanying notes to the basic financial statements

**Southington Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2020*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,450,685	\$458,457	\$86,595	\$1,995,737
Intergovernmental	3,973,723	74,459	470,608	4,518,790
Interest	61,177	0	2,694	63,871
Tuition and Fees	623,898	0	0	623,898
Extracurricular Activities	9,588	0	64,611	74,199
Contributions and Donations	1,011	0	3,800	4,811
Charges for Services	107,051	0	50,049	157,100
Miscellaneous	41,186	0	0	41,186
<i>Total Revenues</i>	<u>6,268,319</u>	<u>532,916</u>	<u>678,357</u>	<u>7,479,592</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,927,947	0	97,350	3,025,297
Special	687,139	0	94,955	782,094
Vocational	27,051	0	0	27,051
Support Services:				
Pupil	317,847	0	33,373	351,220
Instructional Staff	104,571	0	22,234	126,805
Board of Education	40,878	3,250	0	44,128
Administration	565,524	0	880	566,404
Fiscal	260,708	9,215	6,039	275,962
Business	20,495	0	0	20,495
Operation and Maintenance of Plant	502,599	0	130,962	633,561
Pupil Transportation	260,813	0	0	260,813
Central	57,545	0	0	57,545
Operation of Non-Instructional Services	0	0	100	100
Food Services Operations	0	0	220,722	220,722
Extracurricular Activities	136,382	0	204,408	340,790
Capital Outlay	0	0	89,332	89,332
Debt Service:				
Principal Retirement	0	270,000	0	270,000
Interest and Fiscal Charges	0	177,300	0	177,300
Capital Appreciation Bond Accretion	0	65,000	0	65,000
<i>Total Expenditures</i>	<u>5,909,499</u>	<u>524,765</u>	<u>900,355</u>	<u>7,334,619</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>358,820</u>	<u>8,151</u>	<u>(221,998)</u>	<u>144,973</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,371	0	147,932	149,303
Transfers Out	(147,932)	0	(1,371)	(149,303)
<i>Total Other Financing Sources (Uses)</i>	<u>(146,561)</u>	<u>0</u>	<u>146,561</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	212,259	8,151	(75,437)	144,973
<i>Fund Balances Beginning of Year - (Restated - See Note 21)</i>	<u>3,072,833</u>	<u>592,762</u>	<u>607,105</u>	<u>4,272,700</u>
<i>Fund Balances End of Year</i>	<u>\$3,285,092</u>	<u>\$600,913</u>	<u>\$531,668</u>	<u>\$4,417,673</u>

See accompanying notes to the basic financial statements

**Southington Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2020*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$144,973</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
This is the amount by which depreciation exceeded capital outlay in the current period:	
Capital Outlay Additions	274,530
Current Year Depreciation	<u>(909,086)</u>
Total	(634,556)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(6,976)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	(4,609)
Grants	44,130
Tuition and Fees	5,656
Miscellaneous	<u>(6,942)</u>
Total	38,235
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
Principal Retirement	270,000
Capital Appreciation Bond Accretion	<u>65,000</u>
Total	335,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds:	
Accrued Interest on Bonds	425
Amortization of Accretion	(136,820)
Amortization of Bond Premium	43,368
Amortization of Deferred Charge on Refunding	<u>(36,648)</u>
Total	(129,675)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pension	428,390
OPEB	<u>13,289</u>
Total	441,679
Except for the amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset/liabilities are reported as pension/OPEB expense in the statement of activities:	
Pension	(745,871)
OPEB	<u>81,462</u>
Total	(664,409)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated Absences	(3,330)
Special Termination Benefits	<u>(15,390)</u>
Total	<u>(18,720)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$494,449)</u></u>

See accompanying notes to the basic financial statements

**Southington Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$1,440,679	\$1,476,042	\$1,449,518	(\$26,524)
Intergovernmental	3,885,524	3,912,500	3,952,385	39,885
Interest	49,172	60,000	61,177	1,177
Tuition and Fees	614,318	614,800	612,869	(1,931)
Contributions and Donations	0	0	100	100
Charges for Services	108,482	110,000	107,051	(2,949)
Miscellaneous	18,226	27,494	33,754	6,260
<i>Total Revenues</i>	<u>6,116,401</u>	<u>6,200,836</u>	<u>6,216,854</u>	<u>16,018</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,985,456	2,935,852	2,929,089	6,763
Special	573,293	657,963	657,963	0
Vocational	37,448	37,448	28,221	9,227
Support Services:				
Pupil	270,891	305,381	305,381	0
Instructional Staff	99,456	99,973	99,973	0
Board of Education	36,838	50,457	50,457	0
Administration	523,403	563,541	563,541	0
Fiscal	256,261	260,655	260,655	0
Business	15,797	24,807	24,807	0
Operation and Maintenance of Plant	543,526	567,035	567,035	0
Pupil Transportation	291,075	307,003	303,592	3,411
Central	60,351	62,642	62,642	0
Extracurricular Activities	124,258	124,258	121,396	2,862
<i>Total Expenditures</i>	<u>5,818,053</u>	<u>5,997,015</u>	<u>5,974,752</u>	<u>22,263</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>298,348</u>	<u>203,821</u>	<u>242,102</u>	<u>38,281</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	70,001	232,801	239,622	6,821
Advances Out	(98,079)	(207,080)	(207,080)	0
Transfers In	0	26,319	1,371	(24,948)
Transfers Out	(231,679)	(147,932)	(147,932)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(259,757)</u>	<u>(95,892)</u>	<u>(114,019)</u>	<u>(18,127)</u>
<i>Net Change in Fund Balance</i>	38,591	107,929	128,083	20,154
<i>Fund Balance Beginning of Year</i>	3,400,733	3,400,733	3,400,733	0
Prior Year Encumbrances Appropriated	<u>109,725</u>	<u>109,725</u>	<u>109,725</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,549,049</u>	<u>\$3,618,387</u>	<u>\$3,638,541</u>	<u>\$20,154</u>

See accompanying notes to the basic financial statements

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's one instructional/support facility staffed by 24 classified employees, 41 certified employees and 3 administrative employees who provide services to 523 students and other community members.

*Reporting Entity*

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

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

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

**Note 2 - Summary of Significant Accounting Policies**

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

*Basis of Presentation*

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

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**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. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

**Fund Accounting**

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

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

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

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

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

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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***Measurement Focus***

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

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

***Basis of Accounting***

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

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

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



**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, grants, tuition and fees, 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 fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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

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

***Cash and Cash Equivalents***

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

During fiscal year 2020, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$61,177, of which \$12,342 was assigned from other School District funds.

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

***Restricted Assets***

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

***Interfund Balances***

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

***Capital Assets***

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

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

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

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

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***Compensated Absences***

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

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

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

***Accrued Liabilities and Long-term Obligations***

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

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

***Pensions/Other Postemployment Benefits (OPEB)***

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

***Internal Activity***

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
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financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Net Position***

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

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

***Fund Balance***

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

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated that authority by resolution by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance to cover a gap between estimated revenues and appropriations in the fiscal year 2021 budget and for instruction and extracurricular activities.

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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

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

***Deferred Charge on Refunding***

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

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bonds premiums are received in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

***Estimates***

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

***Budgetary Data***

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

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

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

**Note 3 – Fund Balances**

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Unclaimed Monies	\$74	\$0	\$0	\$74
Prepaid Items	8,963	0	0	8,963
<b><i>Total Nonspendable</i></b>	<b>9,037</b>	<b>0</b>	<b>0</b>	<b>9,037</b>
<b><i>Restricted for</i></b>				
Food Service Operations	0	0	81,660	81,660
Scholarships and Awards	0	0	52,981	52,981
Student Activities and Wellness	0	0	28,429	28,429
Athletics	0	0	34,424	34,424
Classroom Facilities Maintenance	0	0	121,403	121,403
Alumni	0	0	25,517	25,517
Debt Service Payments	0	600,913	0	600,913
Capital Improvements	0	0	197,104	197,104
<b><i>Total Restricted</i></b>	<b>0</b>	<b>600,913</b>	<b>541,518</b>	<b>1,142,431</b>
<b><i>Committed to</i></b>				
Educational Services	1,721	0	0	1,721
Ohio School Board Association	3,250	0	0	3,250
Valuation Engineers	2,300	0	0	2,300
<b><i>Total Committed</i></b>	<b>7,271</b>	<b>0</b>	<b>0</b>	<b>7,271</b>
<b><i>Assigned to</i></b>				
Instruction and Extracurricular Activities	31,904	0	0	31,904
Purchases on Order:				
Instruction	29,948	0	0	29,948
Support Services	73,779	0	0	73,779
Fiscal Year 2021 Budget	154,202	0	0	154,202
<b><i>Total Assigned</i></b>	<b>289,833</b>	<b>0</b>	<b>0</b>	<b>289,833</b>
<b><i>Unassigned (Deficit)</i></b>	<b>2,978,951</b>	<b>0</b>	<b>(9,850)</b>	<b>2,969,101</b>
<b><i>Total Fund Balances</i></b>	<b>\$3,285,092</b>	<b>\$600,913</b>	<b>\$531,668</b>	<b>\$4,417,673</b>

**Southington Local School District**  
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**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transaction (budget) as opposed to balance sheet transactions (GAAP).
5. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statements prepared using GAAP.
6. Budgetary revenues and expenditures of the uniform school supply fund and public school support fund are classified to the general fund for GAAP reporting.

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

	General
GAAP Basis	\$212,259
Net Adjustment for Revenue Accruals	(16,334)
Advances In	239,622
Ending Unrecorded Cash	(1,253)
Net Adjustment for Expenditure Accruals	101,340
Advances Out	(207,080)
Perspective Difference:	
Uniform School Supply	9,888
Public School Support	(2,107)
Encumbrances	(208,252)
Budget Basis	\$128,083

**Note 5 – Accountability**

At June 30, 2020, the title VI-B, title I, title II-A and the miscellaneous federal grants special revenue funds had deficit fund balances of \$5,254, \$2,905, \$461 and \$1,230, respectively.

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

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed previously provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;



**Southington Local School District**  
*Notes to the Basic Financial Statements*  
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6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### **Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2020 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

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
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advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2020, was \$7,573 in the general fund, \$456 in the classroom facilities special revenue fund and \$2,414 in the bond retirement debt service fund. The amount available as an advance at June 30, 2019, was \$6,406 in the general fund, \$383 in the classroom facilities special revenue fund and \$2,046 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,526,520	96.09 %	\$63,737,680	95.92 %
Public Utility Personal	2,586,350	3.91	2,707,720	4.08
Total	<u>\$66,112,870</u>	<u>100.00 %</u>	<u>\$66,445,400</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation	\$50.70		\$50.50	

**Note 8 - Receivables**

Receivables at June 30, 2020, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds. All receivables, except delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
Title I Grant	\$33,254
Title VI-B Grant	28,940
Medicaid	22,429
Title II-A Grant	20,622
Foundation Adjustment	18,988
Miscellaneous Federal Grants	<u>13,129</u>
Total	<u>\$137,362</u>

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<b>Nondepreciable Capital Assets</b>				
Land	\$224,230	\$0	\$0	\$224,230
Construction in Progress	0	75,923	0	75,923
<i>Total Nondepreciable Capital Assets</i>	<u>224,230</u>	<u>75,923</u>	<u>0</u>	<u>300,153</u>
<b>Depreciable Capital Assets</b>				
Land and Improvements	3,042,323	155,295	0	3,197,618
Buildings and Improvements	17,010,184	0	0	17,010,184
Furniture, Fixtures and Equipment	2,782,161	43,312	(14,939)	2,810,534
Vehicles	611,599	0	0	611,599
<i>Total Depreciable Capital Assets</i>	<u>23,446,267</u>	<u>198,607</u>	<u>(14,939)</u>	<u>23,629,935</u>
<b>Less: Accumulated Depreciation</b>				
Land and Improvements	(1,124,434)	(153,290)	0	(1,277,724)
Buildings and Improvements	(4,198,561)	(540,119)	0	(4,738,680)
Furniture, Fixtures and Equipment	(1,344,167)	(159,317)	7,963	(1,495,521)
Vehicles	(411,493)	(56,360)	0	(467,853)
<i>Total Accumulated Depreciation</i>	<u>(7,078,655)</u>	<u>(909,086)*</u>	<u>7,963</u>	<u>(7,979,778)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>16,367,612</u>	<u>(710,479)</u>	<u>(6,976)</u>	<u>15,650,157</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$16,591,842</u>	<u>(\$634,556)</u>	<u>(\$6,976)</u>	<u>\$15,950,310</u>

\* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$783,679
Special	1,437
Support Services	
Pupils	53
Instructional Staff	14,025
Administration	1,892
Operation and Maintenance of Plant	18,849
Pupil Transportation	69,642
Food Service Operations	7,095
Extracurricular Activities	12,414
Total Depreciation Expense	<u>\$909,086</u>

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 10 – Contingencies**

***Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020 if applicable, cannot be determined at this time.

***School Foundation***

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2020 foundation funding for the School District. These adjustments were insignificant for the School District.

***Litigation***

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

**Note 11 – Long-Term Obligations**

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Fiscal Year of Maturity</u>
2015 Classroom Facilities Refunding Bonds:			
Serial Bonds	1.00 - 4.00%	\$5,880,000	2036
Capital Appreciation Bonds	Various	85,000	2024

The changes in the School District’s long-term obligations during fiscal year 2020 were as follows:

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For the Fiscal Year Ended June 30, 2020

	Balance 6/30/19	Additions	Deductions	Balance 6/30/20	Amounts Due in One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds:</i>					
2015 Classroom Facilities Refunding Bonds					
Serial Bonds	\$5,535,000	\$0	\$255,000	\$5,280,000	\$255,000
Capital Appreciation Bonds	85,000	0	15,000	70,000	10,000
Accretion	256,512	136,820	65,000	328,332	75,000
Premium on Bonds	715,539	0	43,368	672,171	0
<i>Total General Obligation Bonds</i>	<u>6,592,051</u>	<u>136,820</u>	<u>378,368</u>	<u>6,350,503</u>	<u>340,000</u>
<i>Other Long-Term Obligations:</i>					
Net Pension Liability:					
STRS	4,255,171	44,338	0	4,299,509	0
SERS	1,239,539	0	38,967	1,200,572	0
Total Net Pension Liability	<u>5,494,710</u>	<u>44,338</u>	<u>38,967</u>	<u>5,500,081</u>	<u>0</u>
Net OPEB Liability:					
SERS	608,150	0	93,474	514,676	0
Compensated Absences	250,355	19,185	15,855	253,685	24,168
Special Termination Benefits	13,680	19,950	4,560	29,070	9,348
<i>Total Other Long-Term Obligations</i>	<u>6,366,895</u>	<u>83,473</u>	<u>152,856</u>	<u>6,297,512</u>	<u>33,516</u>
<b>Total Long-Term Liabilities</b>	<u><u>\$12,958,946</u></u>	<u><u>\$220,293</u></u>	<u><u>\$531,224</u></u>	<u><u>\$12,648,015</u></u>	<u><u>\$373,516</u></u>

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

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

The capital appreciation bonds were originally sold at a discount of \$860,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2024. The maturity amount of the outstanding capital appreciation bonds at June 30, 2020 is \$865,000. The accretion recorded for fiscal year 2019 was \$136,820, for a total outstanding bond liability of \$398,332 at June 30, 2020.

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

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The overall debt margin of the School District as of June 30, 2020 was \$1,230,999 with an unvoted debt margin of \$66,445. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2020 are as follows:

	Serial Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Accretion
2021	\$255,000	\$172,200	\$10,000	\$65,000
2022	80,000	168,850	25,000	240,000
2023	80,000	167,050	20,000	245,000
2024	80,000	165,050	15,000	245,000
2025	355,000	158,800	0	0
2026-2030	1,945,000	622,175	0	0
2031-2035	2,040,000	275,950	0	0
2036	445,000	8,800	0	0
<b>Total</b>	<b>\$5,280,000</b>	<b>\$1,738,875</b>	<b>\$70,000</b>	<b>\$795,000</b>

**Note 12 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability***

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize

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unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$97,952 for fiscal year 2020. Of this amount \$11,954 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. 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.



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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 is deposited into the member’s DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after 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. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$330,438 for fiscal year 2020. Of this amount \$51,068 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.02164310%	0.01935246%	
Current Measurement Date	<u>0.02006580%</u>	<u>0.01944212%</u>	
Change in Proportionate Share	<u>-0.00157730%</u>	<u>0.00008966%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,200,572	\$4,299,509	\$5,500,081
Pension Expense	\$172,579	\$573,292	\$745,871

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At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$30,444	\$35,005	\$65,449
Changes of assumptions	0	505,060	505,060
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	17,221	143,062	160,283
School District contributions subsequent to the measurement date	<u>97,952</u>	<u>330,438</u>	<u>428,390</u>
Total Deferred Outflows of Resources	<u><u>\$145,617</u></u>	<u><u>\$1,013,565</u></u>	<u><u>\$1,159,182</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$18,612	\$18,612
Net difference between projected and actual earnings on pension plan investments	15,411	210,136	225,547
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>56,423</u>	<u>157,002</u>	<u>213,425</u>
Total Deferred Inflows of Resources	<u><u>\$71,834</u></u>	<u><u>\$385,750</u></u>	<u><u>\$457,584</u></u>

\$428,390 is reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$11,438	\$221,126	\$232,564
2022	(43,322)	99,395	56,073
2023	(1,025)	(50,025)	(51,050)
2024	<u>8,740</u>	<u>26,881</u>	<u>35,621</u>
Total	<u><u>(\$24,169)</u></u>	<u><u>\$297,377</u></u>	<u><u>\$273,208</u></u>

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent
Investment Rate of Return	2.5 percent
	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$1,682,431	\$1,200,572	\$796,473

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, 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
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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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:

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

\* Target weights will be phased in over a 24-month period concluding on July1, 2019.

\*\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$6,283,252	\$4,299,509	\$2,620,167

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**Note 13 – Defined Benefit OPEB Plans**

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

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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 2020, no allocation 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 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2020, the School District's surcharge obligation was \$13,289.

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 \$13,289 for fiscal year 2020. Of this amount \$13,289 is reported as an intergovernmental payable.

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***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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. All benefit recipients 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 fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Prior Measurement Date	0.02192110%	0.01935246%	
Current Measurement Date	0.02046600%	0.01944212%	
Change in Proportionate Share	-0.00145510%	0.00008966%	
Proportionate Share of the:			
Net OPEB Liability	\$514,676	\$0	\$514,676
Net OPEB (Asset)	\$0	(\$322,008)	(\$322,008)
OPEB Expense	\$11,696	(\$93,158)	(\$81,462)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$7,555	\$29,193	\$36,748
Changes of assumptions	37,591	6,769	44,360
Net difference between projected and actual earnings on OPEB plan investments	1,235	0	1,235
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	26,736	36,261	62,997
School District contributions subsequent to the measurement date	13,289	0	13,289
<b>Total Deferred Outflows of Resources</b>	<b><u>\$86,406</u></b>	<b><u>\$72,223</u></b>	<b><u>\$158,629</u></b>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$113,071	\$16,382	\$129,453
Changes of assumptions	28,841	353,044	381,885
Net difference between projected and actual earnings on OPEB plan investments	0	20,225	20,225
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	40,860	15,926	56,786
<b>Total Deferred Inflows of Resources</b>	<b><u>\$182,772</u></b>	<b><u>\$405,577</u></b>	<b><u>\$588,349</u></b>

\$13,289 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	(\$33,484)	(\$71,437)	(\$104,921)
2022	(16,031)	(71,437)	(87,468)
2023	(15,669)	(63,332)	(79,001)
2024	(15,728)	(60,491)	(76,219)
2025	(18,820)	(67,669)	(86,489)
Thereafter	(9,923)	1,012	(8,911)
<b>Total</b>	<b><u>(\$109,655)</u></b>	<b><u>(\$333,354)</u></b>	<b><u>(\$443,009)</u></b>



**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Wage Increases	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	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 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 most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
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return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$624,720	\$514,676	\$427,180
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$412,360	\$514,676	\$650,426

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 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, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these 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, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset 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 asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$274,770)	(\$322,008)	(\$361,725)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$365,142)	(\$322,008)	(\$269,179)

**Note 14 - Other Employee Benefits**

***Compensated Absences***

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

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

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

***Life Insurance Benefits***

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

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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***Health Insurance Benefits***

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

***Retirement Incentive***

The School District's Board of Education offered employees participation in a Retirement Incentive program in fiscal year 2020. Participation was open to teachers who were eligible for service retirement under the State Teachers Retirement System (STRS) pursuant to O.R.C. 3307.38 and any applicable STRS regulations along with being at least 60 years of age by October 1, 2020. The Board of Education will pay an annual supplement to the retiree for single group rate coverage provided through STRS to be applied to the retiree's premium share until their 65<sup>th</sup> birthday. For fiscal year 2020, two employees took advantage of the retirement incentive equating to a remaining balance of \$29,070. The retirement incentive will be paid out over a five year period.

**Note 15 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2020, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Schools of Ohio Risk Sharing Authority (Note 17).

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

The School District maintains fleet insurance in the amount of \$15,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of \$31,480,554.

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

***Workers' Compensation***

For fiscal year 2020, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP. The Board exercises total control over the operations of the GRP including budgeting, appropriating, contracting and designating management.

**Note 16 - Jointly Governed Organizations**

***North East Ohio Management Information Network (NEOMIN)*** NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Southington Local School District paid \$20,471 to NEOMIN during fiscal year 2020.

The Governing Board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Southington Local School District was not represented on the Governing Board during fiscal year 2020. The degree of control exercised by any participating school district is limited to its representation on the Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446-4603.

***Trumbull Career and Technical Center (Center)*** The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the Center during fiscal year 2020. To obtain financial information write to the Trumbull Career and Technical Center, Cody Holecko, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

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

The State Support Team Region 5 is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the State Support Team Region 5 during fiscal year 2020. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

**Note 17 – Public Entity Risk Sharing Pools**

***Insurance Purchasing Pool***

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

***Risk Sharing Pool***

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

**Note 18 – Interfund Transfers and Balances**

***Interfund Balances***

Interfund balances at June 30, 2020, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>
Interfund Payable	General Fund
<b>Other Governmental Funds</b>	
Athletics and Music	\$300
Title VI-B	1,000
Title I	8,000
Title II-A	750
<i>Total</i>	\$10,050

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

***Interfund Transfers***

The general fund transferred \$700, \$1,371 and \$145,861 to the scholarship, alumni class reunion and the athletics and music special revenue funds, respectively, to help provide funding for fiscal year 2020 operation. The student activities special revenue fund transferred \$1,371 to the general fund to close out a cost center.

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 19 – Encumbrances**

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

General	\$208,252
Other Governmental Funds	<u>62,794</u>
Total	<u><u>\$271,046</u></u>

**Note 20 - Set Aside Calculation**

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2019	\$0
Current Year Set-aside Requirement	91,230
OSFC Debt Service Payments	(512,300)
Qualifying Disbursements	<u>(16,527)</u>
Total	<u><u>(\$437,597)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Set-aside Balance as of June 30, 2020	<u><u>\$0</u></u>

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



**Southington Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2020

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

***Change in Accounting Principles***

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*.

For fiscal year 2020, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the School District’s fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its private purpose trust fund and its agency funds and certain funds have been reclassified as governmental funds. GASB Statement 84 was incorporated into the School District’s fiscal year 2020 financial statements.

***Restatement of Fund Balances and Net Position***

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2019:

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balances, June 30, 2019	\$3,072,833	\$592,762	\$559,350	\$4,224,945
Adjustments:				
GASB Statement 84	0	0	47,755	47,755
Restated Fund Balances, June 30, 2019	\$3,072,833	\$592,762	\$607,105	\$4,272,700

The implementation of GASB Statement No. 84 had the following effect on governmental and fiduciary net position as of June 30, 2019:

**Southington Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

	Governmental Activities		Agency
Net Position June 30, 2019	\$9,693,962		\$0
Adjustments:			
GASB Statement 84	47,755		0
Assets	0		(47,755)
Liabilities	0		47,755
Restated Net Position, June 30, 2019	\$9,741,717		\$0

**Note 22 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District’s investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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## Required Supplementary Information

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

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.02006580%	0.02164310%	0.02012540%
School District's Proportionate Share of the Net Pension Liability	\$1,200,572	\$1,239,539	\$1,202,448
School District's Covered Payroll	\$696,689	\$718,778	\$678,271
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	172.33%	172.45%	177.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%

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

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.02058610%	0.02090300%	0.02178700%	0.02178700%
\$1,506,713	\$1,192,741	\$1,102,628	\$1,295,603
\$641,543	\$632,253	\$636,153	\$616,023
234.86%	188.65%	173.33%	210.32%
62.98%	69.16%	71.70%	65.52%

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

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.02046600%	0.02192110%	0.02037180%	0.02082630%
School District's Proportionate Share of the Net OPEB Liability	\$514,676	\$608,150	\$546,727	\$593,627
School District's Covered Payroll	\$696,689	\$718,778	\$678,271	\$641,543
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	73.87%	84.61%	80.61%	92.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information

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

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.01944212%	0.01935246%	0.01988876%
School District's Proportionate Share of the Net Pension Liability	\$4,299,509	\$4,255,171	\$4,724,617
School District's Covered Payroll	\$2,291,671	\$2,205,921	\$2,207,107
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	187.61%	192.90%	214.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	75.30%	75.30%

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

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

See accompanying notes to the required supplementary information



2017	2016	2015	2014
0.01871906%	0.02033617%	0.02024431%	0.02024431%
\$6,265,834	\$5,620,321	\$4,924,117	\$5,865,576
\$1,974,221	\$2,103,243	\$2,086,185	\$2,119,477
317.38%	267.22%	236.03%	276.75%
66.80%	72.10%	74.70%	69.30%

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

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.01944212%	0.01935246%	0.01988876%	0.01871906%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$322,008)	(\$310,974)	\$775,987	\$1,001,100
School District's Covered Payroll	\$2,291,671	\$2,205,921	\$2,207,107	\$1,974,221
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.05%	-14.10%	35.16%	50.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

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

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

See accompanying notes to the required supplementary information

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$97,952	\$94,053	\$97,035	\$94,958
Contributions in Relation to the Contractually Required Contribution	<u>(97,952)</u>	<u>(94,053)</u>	<u>(97,035)</u>	<u>(94,958)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$699,657	\$696,689	\$718,778	\$678,271
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	13,289	15,518	15,278	10,868
Contributions in Relation to the Contractually Required Contribution	<u>(13,289)</u>	<u>(15,518)</u>	<u>(15,278)</u>	<u>(10,868)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.90%</u>	<u>2.23%</u>	<u>2.13%</u>	<u>1.60%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.90%</u>	<u>15.73%</u>	<u>15.63%</u>	<u>15.60%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$89,816	\$83,331	\$86,792	\$85,258	\$83,825	\$75,174
(89,816)	(83,331)	(86,792)	(85,258)	(83,825)	(75,174)
\$0	\$0	\$0	\$0	\$0	\$0
\$641,543	\$632,253	\$636,153	\$616,023	\$623,236	\$598,044
14.00%	13.18%	13.64%	13.84%	13.45%	12.57%
10,386	16,359	12,091	11,783	12,854	17,504
(10,386)	(16,359)	(12,091)	(11,783)	(12,854)	(17,504)
\$0	\$0	\$0	\$0	\$0	\$0
1.62%	2.59%	1.90%	1.91%	2.06%	2.93%
15.62%	15.77%	15.54%	15.75%	15.51%	15.50%

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

	2020	2019	2018	2017
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$330,438	\$320,834	\$308,829	\$308,995
Contributions in Relation to the Contractually Required Contribution	<u>(330,438)</u>	<u>(320,834)</u>	<u>(308,829)</u>	<u>(308,995)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,360,271	\$2,291,671	\$2,205,921	\$2,207,107
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$276,391	\$294,454	\$271,204	\$275,532	\$276,741	\$278,133
(276,391)	(294,454)	(271,204)	(275,532)	(276,741)	(278,133)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,974,221	\$2,103,243	\$2,086,185	\$2,119,477	\$2,128,777	\$2,139,485
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$0	\$20,862	\$21,195	\$21,288	\$21,395
0	0	(20,862)	(21,195)	(21,288)	(21,395)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

## Southington Local School District, Ohio

### Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

#### Net Pension Liability

##### Changes in Assumptions – SERS

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

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

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

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

##### Changes in Assumptions - STRS

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

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

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



## Southington Local School District, Ohio

### Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

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

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

### Net OPEB Liability

#### Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

#### Changes in Assumptions – STRS

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

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.

**Southington Local School District, Ohio**

*Notes to Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2020*

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**Changes in Benefit Terms – STRS OPEB**

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 2020.

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 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

# OHIO AUDITOR OF STATE KEITH FABER



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

Southington Local School District  
Trumbull County  
2482 State Route 534  
Southington, Ohio 44470

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southington Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2021, in which we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84 and noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 15, 2021

# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHINGTON LOCAL SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/30/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)