



Dave Yost • Auditor of State

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - June 30, 2015	13
Statement of Activities - For the Fiscal Year Ended June 30, 2015.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.-June 30, 2015	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.- June 30, 2015	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - For the Fiscal Year Ended June 30, 2015	17
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, 2015.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non GAAP Basis) and Actual - General Fund For the Fiscal Year Ended June 30, 2015.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non GAAP Basis) and Actual – Classroom Facilities Maintenance Fund For the Fiscal Year Ended June 30, 2015.....	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds – June 30, 2015.....	21
Notes to the Basic Financial Statements	23
Required Supplementary Information	R1
Schedule of the District's Proportionate Share of the Net Pension Liability	
School Employees Retirement System (SERS) of Ohio	R2
State Teachers Retirement System (STRS) of Ohio	R3
Schedule of District Contributions	
School Employees Retirement System (SERS) of Ohio	R4
State Teachers Retirement System (STRS) of Ohio	R6
Independent Auditor’s Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by Government Auditing Standards	51
Schedule of Findings	53

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Classroom Facilities Maintenance funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and also GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 10, 2016

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of Southington Local School District's (the School District) financial performance is presented by the School District's management and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 include:

- The School District is committed to meeting the academic needs of our students by providing them with updated equipment and facilities to compete in a global environment
- The School District implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements for the School District.
- The School District's enrollment decreased from 577 students in fiscal year 2014 to 559 students in fiscal year 2015. Certified staff remained the same in fiscal year 2015.
- The School District had additions to capital assets that consisted of building improvements, equipment and vehicles in fiscal year 2015.

Using this Annual Financial Report

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

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

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

year?” and “What was the net effect of those changes?” The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. The statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District’s Most Significant Funds

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

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

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

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District’s Net Position for fiscal year 2015 compared to fiscal year 2014:

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

(Table 1)
Net Position - Governmental Activities

	2015	2014	Change
Assets			
Current and Other Assets	\$5,842,381	\$6,044,943	(\$202,562)
Capital Assets, Net	19,608,553	20,404,715	(796,162)
<i>Total Assets</i>	<u>25,450,934</u>	<u>26,449,658</u>	<u>(998,724)</u>
Deferred Outflows of Resources	<u>434,575</u>	<u>357,996</u>	<u>76,579</u>
Liabilities			
Current and Other Liabilities	819,271	535,551	(283,720)
Long Term Liabilities:			
Due Within One Year	291,715	243,918	(47,797)
Due in More than One Year			
Net Pension Liability	6,026,745	7,161,179	1,134,434
Other Amounts	6,934,525	7,264,522	329,997
<i>Total Liabilities</i>	<u>14,072,256</u>	<u>15,205,170</u>	<u>1,132,914</u>
Deferred Inflows of Resources			
Property Taxes	1,931,394	1,894,523	(36,871)
Pension	1,089,940	0	(1,089,940)
<i>Total Deferred Inflows of Resources</i>	<u>3,021,334</u>	<u>1,894,523</u>	<u>(1,126,811)</u>
Net Position			
Investment in Capital Assets	12,723,553	13,180,094	(456,541)
Restricted:			
Capital Projects	818,371	1,107,970	(289,599)
Debt Service	432,305	368,638	63,667
Unclaimed Monies	385	457	(72)
Other Purposes	763,408	784,707	(21,299)
Unrestricted (Deficit)	<u>(5,946,103)</u>	<u>(5,733,905)</u>	<u>(212,198)</u>
<i>Total Net Position</i>	<u><u>\$8,791,919</u></u>	<u><u>\$9,707,961</u></u>	<u><u>(\$916,042)</u></u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$16,386,523 to 9,707,961.

The School District had a decrease in total assets due to a decrease in capital assets. The decrease in capital assets is from current year depreciation outpacing total additions in this fiscal year. Total liabilities decreased from the change in net pension liability along with the continued pay-down of outstanding debt obligations. Deferred inflows of resources increased from the calculation of the net pension liability.

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2015 and 2014.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

(Table 2)
Change in Net Position - Governmental Activities

	2015	2014	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$703,185	\$723,045	(\$19,860)
Operating Grants, Contributions and Interest	688,475	750,003	(61,528)
<i>Total Program Revenues</i>	<u>1,391,660</u>	<u>1,473,048</u>	<u>(81,388)</u>
General Revenues			
Property Taxes	1,947,768	1,913,165	34,603
Grants and Entitlements not Restricted to Specific Programs	2,805,270	2,808,313	(3,043)
Investment Earnings	7,328	7,524	(196)
Gain on Disposal of Capital Assets	0	4,929	(4,929)
Miscellaneous	20,773	28,720	(7,947)
<i>Total General Revenues</i>	<u>4,781,139</u>	<u>4,762,651</u>	<u>18,488</u>
<i>Total Revenues</i>	<u>6,172,799</u>	<u>6,235,699</u>	<u>(62,900)</u>
Program Expenses			
Instruction:			
Regular - Primary Government	3,576,355	3,479,183	(97,172)
Regular - Intergovernmental	236,403	0	(236,403)
Special	534,758	443,693	(91,065)
Vocational	30,549	6,088	(24,461)
Support Services:			
Pupil	257,555	223,642	(33,913)
Instructional Staff	63,760	72,230	8,470
Board of Education	56,359	74,064	17,705
Administration	417,631	389,837	(27,794)
Fiscal	246,091	245,627	(464)
Business	27,403	27,200	(203)
Operation and Maintenance of Plant	536,133	517,899	(18,234)
Pupil Transportation	345,937	515,764	169,827
Central	15,074	14,854	(220)
Operation of Non-Instructional Services	0	100	100
Food Service Operations	197,192	199,978	2,786
Extracurricular Activities	247,448	339,447	91,999
Interest and Fiscal Charges	300,193	306,516	6,323
<i>Total Expenses</i>	<u>7,088,841</u>	<u>6,856,122</u>	<u>(232,719)</u>
Change in Net Position	(916,042)	(620,423)	(295,619)
<i>Net Position Beginning of Year</i>	<u>9,707,961</u>	N/A	
<i>Net Position End of Year</i>	<u>\$8,791,919</u>	<u>\$9,707,961</u>	<u>(\$916,042)</u>

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

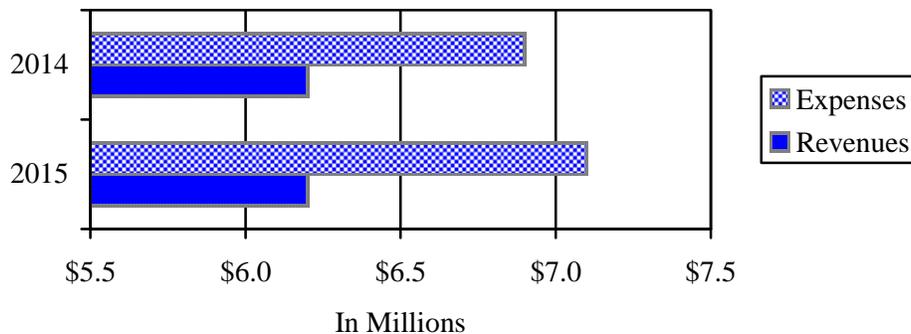
The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$357,996 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$256,712. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$7,088,841
2015 Pension expense under GASB 68	(256,712)
2015 contractually required contribution	377,785
Adjusted 2015 program expenses	7,209,914
Total 2014 program expenses under GASB 27	6,856,122
Increase in program expenses not related to pension	\$353,792

Graph 1
Revenues and Expenses
(In Millions)

	2015	2014
Revenues	\$6.2	\$6.2
Expenses	7.1	6.9

Governmental Activities



Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners)

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

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

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

The School District's regular instruction – intergovernmental expense relates to unspent proceeds from the Ohio Schools Facilities Commission that are being repaid in fiscal year 2016.

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

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

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$4,378,065	\$3,313,805	\$3,928,964	\$2,772,679
Support Services:				
Pupil and Instructional Staff	321,315	315,915	295,872	293,772
Board of Education, Administration, Fiscal Services, Business and Central	762,558	762,558	751,582	745,188
Operation and Maintenance of Plant	536,133	507,238	517,899	489,659
Pupil Transportation	345,937	345,937	515,764	515,764
Operation of Non-Instructional Services	0	0	100	100
Food Service Operations	197,192	(20,405)	199,978	(8,177)
Extracurricular Activities	247,448	171,940	339,447	267,573
Interest and Fiscal Charges	300,193	300,193	306,516	306,516
<i>Total Expenses</i>	\$7,088,841	\$5,697,181	\$6,856,122	\$5,383,074

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 2015. The community, as a whole, is by far the primary support for Southington Local School District students.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,193,092 and expenditures of \$6,696,489. The general fund had a decrease in fund balance which can be attributed to expenditures outpacing revenues. The Ohio School Facilities fund showed a decrease from the School District closing out the fund as directed by the Ohio Facilities Construction Commission. The bond retirement and permanent improvement funds had increases in fund balance which can be attributed to a decrease in the amount of the debt payments made in relation to the revenue generated and the close-out of the Ohio School Facilities fund.

General Fund Budgeting Highlights

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

During the course of fiscal year 2015, 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 slightly more property taxes and intergovernmental revenues than what was anticipated. Actual expenditures were lower than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2015 balances compared to fiscal year 2014.

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

	Governmental Activities		
	2015	2014	Change
Land	\$224,230	\$224,230	\$0
Land and Improvements	2,515,307	2,665,329	(150,022)
Buildings and Improvements	14,642,426	15,169,902	(527,476)
Furniture and Equipment	1,928,949	2,082,732	(153,783)
Vehicles	297,641	262,522	35,119
Totals	\$19,608,553	\$20,404,715	(\$796,162)

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

All capital assets, except land, are reported net of depreciation. The net decrease in capital assets during the fiscal year resulted from annual depreciation, offset by additions of assets which included building upgrades, equipment and vehicles. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2015, this amounted to \$98,619. See Note 10 to the basic financial statements for additional information on the School District's capital assets and Note 18 for additional information regarding required set-asides.

Debt

At June 30, 2015, the School District had general obligation bonds outstanding in the amount of \$7,032,673. These bonds were issued for the School District portion of the Ohio School Facilities Commission project. These bonds will be fully repaid in fiscal year 2036. Please see Note 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 be a responsible and conservative custodian of the public's monies. With the passage of a four year renewal levy the School District will continue to work within the confines of the budget it has set forth.

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

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

Contacting the School District's Financial Management

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

Southington Local School District

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,609,680
Accounts Receivable	200
Accrued Interest Receivable	333
Intergovernmental Receivable	53,847
Property Taxes Receivable	2,178,321
Nondepreciable Capital Assets	224,230
Depreciable Capital Assets, Net	<u>19,384,323</u>
<i>Total Assets</i>	<u>25,450,934</u>
Deferred Outflow of Resources	
Pension	<u>434,575</u>
Liabilities	
Accounts Payable	63,369
Accrued Wages and Benefits	341,211
Intergovernmental Payable	330,174
Matured Compensated Absences Payable	59,129
Accrued Interest Payable	25,388
Long-Term Liabilities:	
Due Within One Year	291,715
Due In More Than One Year	
Net Pension Liability (See Note 12)	6,026,745
Other Amounts	<u>6,934,525</u>
<i>Total Liabilities</i>	<u>14,072,256</u>
Deferred Inflows of Resources	
Property Taxes	1,931,394
Pension	<u>1,089,940</u>
Total Deferred Inflows of Resources	<u>3,021,334</u>
Net Position	
Net Investment in Capital Assets	12,723,553
Restricted for:	
Capital Projects	818,371
Debt Service	432,305
Unclaimed Monies	385
Other Purposes	763,408
Unrestricted (Deficit)	<u>(5,946,103)</u>
<i>Total Net Position</i>	<u><u>\$8,791,919</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular - Primary Government	\$3,576,355	\$464,519	\$171,080	(\$2,940,756)
Regular - Intergovernmental	236,403	0	0	(236,403)
Special	534,758	74,168	347,867	(112,723)
Vocational	30,549	5,441	1,185	(23,923)
Support Services:				
Pupil	257,555	0	0	(257,555)
Instructional Staff	63,760	0	5,400	(58,360)
Board of Education	56,359	0	0	(56,359)
Administration	417,631	0	0	(417,631)
Fiscal	246,091	0	0	(246,091)
Business	27,403	0	0	(27,403)
Operation and Maintenance of Plant	536,133	0	28,895	(507,238)
Pupil Transportation	345,937	0	0	(345,937)
Central	15,074	0	0	(15,074)
Food Service Operations	197,192	83,549	134,048	20,405
Extracurricular Activities	247,448	75,508	0	(171,940)
Interest and Fiscal Charges	300,193	0	0	(300,193)
<i>Totals</i>	<u>\$7,088,841</u>	<u>\$703,185</u>	<u>\$688,475</u>	<u>(5,697,181)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	1,396,816
Debt Service	467,232
Classroom Facilities Maintenance	83,720
Grants and Entitlements not Restricted to Specific Programs	2,805,270
Investment Earnings	7,328
Miscellaneous	20,773
<i>Total General Revenues</i>	<u>4,781,139</u>
Change in Net Position	(916,042)
<i>Net Position Beginning of Year</i> (Restated - See Note 21)	<u>9,707,961</u>
<i>Net Position End of Year</i>	<u><u>\$8,791,919</u></u>

See accompanying notes to the basic financial statements

Southington Local School District

Balance Sheet

Governmental Funds

June 30, 2015

	General	Bond Retirement	Permanent Improvement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,210,036	\$508,202	\$4,004	\$965,180	\$921,873	\$3,609,295
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	385	0	0	0	0	385
Accounts Receivable	200	0	0	0	0	200
Accrued Interest Receivable	0	185	0	144	4	333
Intergovernmental Receivable	378	0	0	0	53,469	53,847
Interfund Receivable	7,682	38,814	690,107	0	0	736,603
Property Taxes Receivable	1,562,735	522,117	0	0	93,469	2,178,321
<i>Total Assets</i>	<u>\$2,781,416</u>	<u>\$1,069,318</u>	<u>\$694,111</u>	<u>\$965,324</u>	<u>\$1,068,815</u>	<u>\$6,578,984</u>
Liabilities						
Accounts Payable	\$31,605	\$0	\$535	\$0	\$31,229	\$63,369
Accrued Wages and Benefits	302,265	0	0	0	38,946	341,211
Interfund Payable	0	0	0	728,921	7,682	736,603
Matured Compensated Absences Payable	59,129	0	0	0	0	59,129
Intergovernmental Payable	85,102	0	0	236,403	8,669	330,174
<i>Total Liabilities</i>	<u>478,101</u>	<u>0</u>	<u>535</u>	<u>965,324</u>	<u>86,526</u>	<u>1,530,486</u>
Deferred Inflows of Resources						
Property Taxes	1,384,404	463,952	0	0	83,038	1,931,394
Unavailable Revenue	172,125	56,141	0	0	55,287	283,553
<i>Total Deferred Inflows of Resources</i>	<u>1,556,529</u>	<u>520,093</u>	<u>0</u>	<u>0</u>	<u>138,325</u>	<u>2,214,947</u>
Fund Balances						
Nonspendable	385	0	0	0	0	385
Restricted	0	549,225	693,576	0	848,379	2,091,180
Assigned	746,401	0	0	0	0	746,401
Unassigned (Deficit)	0	0	0	0	(4,415)	(4,415)
<i>Total Fund Balances</i>	<u>746,786</u>	<u>549,225</u>	<u>693,576</u>	<u>0</u>	<u>843,964</u>	<u>2,833,551</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,781,416</u>	<u>\$1,069,318</u>	<u>\$694,111</u>	<u>\$965,324</u>	<u>\$1,068,815</u>	<u>\$6,578,984</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, 2015*

Total Governmental Fund Balances	\$2,833,551
-----------------------------------------	--------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,608,553
-------------------------------------------------------------------------------------------------------------------------	------------

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

Delinquent Property Taxes	238,334
Grants	<u>45,219</u>

Total	283,553
-------	---------

In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(25,388)
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------

The net pension liability is not due and payable in the current period; therefore, the liability and related inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	434,575
Deferred Inflows - Pension	(1,089,940)
Net Pension Liability	<u>(6,026,745)</u>

Total	(6,682,110)
-------	-------------

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

General Obligation Bonds	(7,032,673)
Compensated Absences	<u>(193,567)</u>

Total	<u>(7,226,240)</u>
-------	--------------------

<i>Net Position of Governmental Activities</i>	<u><u>\$8,791,919</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, 2015

	General	Bond Retirement	Permanent Improvement	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$1,385,729	\$462,761	\$0	\$0	\$82,962	\$1,931,452
Intergovernmental	2,961,111	83,798	0	0	484,499	3,529,408
Interest	3,639	98	0	1,746	2,012	7,495
Tuition and Fees	459,410	0	0	0	0	459,410
Extracurricular Activities	8,339	0	0	0	67,169	75,508
Contributions and Donations	0	0	0	0	779	779
Charges for Services	84,718	0	0	0	83,549	168,267
Miscellaneous	20,773	0	0	0	0	20,773
<i>Total Revenues</i>	<u>4,923,719</u>	<u>546,657</u>	<u>0</u>	<u>1,746</u>	<u>720,970</u>	<u>6,193,092</u>
Expenditures						
Current:						
Instruction:						
Regular	2,756,610	0	0	0	176,678	2,933,288
Special	442,328	0	0	0	107,047	549,375
Vocational	31,635	0	0	0	0	31,635
Support Services:						
Pupil	262,879	0	0	0	0	262,879
Instructional Staff	38,066	0	0	0	13,927	51,993
Board of Education	57,711	0	0	0	0	57,711
Administration	442,484	0	0	0	0	442,484
Fiscal	238,895	11,082	0	0	6,349	256,326
Business	27,762	0	0	0	0	27,762
Operation and Maintenance of Plant	411,712	0	535	0	133,672	545,919
Pupil Transportation	308,818	0	0	0	0	308,818
Central	15,746	0	0	0	0	15,746
Operation of Non-Instructional Services	0	0	0	0	100	100
Food Services Operations	0	0	0	0	194,029	194,029
Extracurricular Activities	92,728	0	0	0	150,624	243,352
Capital Outlay	0	0	0	4,000	11,794	15,794
Intergovernmental	0	0	0	236,403	0	236,403
Debt Service:						
Principal Retirement	0	215,000	0	0	0	215,000
Interest and Fiscal Charges	0	307,875	0	0	0	307,875
<i>Total Expenditures</i>	<u>5,127,374</u>	<u>533,957</u>	<u>535</u>	<u>240,403</u>	<u>794,220</u>	<u>6,696,489</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(203,655)</u>	<u>12,700</u>	<u>(535)</u>	<u>(238,657)</u>	<u>(73,250)</u>	<u>(503,397)</u>
Other Financing Sources (Uses)						
Transfers In	0	38,814	690,107	0	75,745	804,666
Transfers Out	(75,745)	0	0	(728,921)	0	(804,666)
<i>Total Other Financing Sources (Uses)</i>	<u>(75,745)</u>	<u>38,814</u>	<u>690,107</u>	<u>(728,921)</u>	<u>75,745</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(279,400)	51,514	689,572	(967,578)	2,495	(503,397)
<i>Fund Balances Beginning of Year</i>	<u>1,026,186</u>	<u>497,711</u>	<u>4,004</u>	<u>967,578</u>	<u>841,469</u>	<u>3,336,948</u>
<i>Fund Balances End of Year</i>	<u>\$746,786</u>	<u>\$549,225</u>	<u>\$693,576</u>	<u>\$0</u>	<u>\$843,964</u>	<u>\$2,833,551</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, 2015*

Net Change in Fund Balances - Total Governmental Funds	(\$503,397)
 <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	90,115
Current Year Depreciation	<u>(886,277)</u>
Total	(796,162)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	16,316
Grants	<u>(36,609)</u>
Total	(20,293)
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.	215,000
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	537
Amortization of Bond Premium	<u>7,145</u>
Total	7,682
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	377,785
Except for the amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(256,712)
Some expenses reported in the statement of activities, compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>60,055</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$916,042)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$1,451,882	\$1,393,592	\$1,395,823	\$2,231
Intergovernmental	3,091,831	2,967,701	2,972,452	4,751
Interest	3,785	3,633	3,639	6
Tuition and Fees	490,021	470,348	471,101	753
Charges for Services	88,120	84,583	84,718	135
Miscellaneous	21,183	20,333	20,365	32
<i>Total Revenues</i>	<u>5,146,822</u>	<u>4,940,190</u>	<u>4,948,098</u>	<u>7,908</u>
Expenditures				
Current:				
Instruction:				
Regular	2,966,296	3,012,460	2,721,490	290,970
Special	484,247	491,783	442,959	48,824
Vocational	33,691	34,216	30,802	3,414
Support Services:				
Pupil	287,107	291,575	262,558	29,017
Instructional Staff	43,331	44,005	40,790	3,215
Board of Education	69,800	86,792	86,792	0
Administration	480,665	472,239	442,101	30,138
Fiscal	263,242	248,256	242,938	5,318
Business	28,533	28,977	28,554	423
Operation and Maintenance of Plant	449,217	456,208	453,322	2,886
Pupil Transportation	338,485	362,835	362,835	0
Central	17,211	17,479	15,735	1,744
Extracurricular Activities	87,879	89,247	80,343	8,904
<i>Total Expenditures</i>	<u>5,549,704</u>	<u>5,636,072</u>	<u>5,211,219</u>	<u>424,853</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(402,882)</u>	<u>(695,882)</u>	<u>(263,121)</u>	<u>432,761</u>
Other Financing Sources (Uses)				
Advances In	28,023	26,898	26,941	43
Advances Out	(8,074)	(8,200)	(7,382)	818
Transfers Out	(98,759)	(100,296)	(90,290)	10,006
<i>Total Other Financing Sources (Uses)</i>	<u>(78,810)</u>	<u>(81,598)</u>	<u>(70,731)</u>	<u>10,867</u>
<i>Net Change in Fund Balance</i>	<u>(481,692)</u>	<u>(777,480)</u>	<u>(333,852)</u>	<u>443,628</u>
<i>Fund Balance Beginning of Year</i>	1,258,752	1,258,752	1,258,752	0
Prior Year Encumbrances Appropriated	<u>127,411</u>	<u>127,411</u>	<u>127,411</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$904,471</u>	<u>\$608,683</u>	<u>\$1,052,311</u>	<u>\$443,628</u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$28,298</u>
Liabilities	
Due to Students	\$9,399
Deposits Held and Due to Others	<u>18,899</u>
<i>Total Liabilities</i>	<u>\$28,298</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, 2015

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 26 classified employees, 40 certified employees and 2 administrative employees who provide services to 559 students and other community members.

Reporting Entity

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

Measurement Focus

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

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

Basis of Accounting

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015, 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 2015 amounted to \$3,639, which includes \$1,193 assigned from other School District funds.

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

Restricted Assets

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

Interfund Balances

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

Capital Assets

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Internal Activity

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

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

Net Position

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

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

Fund Balance

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

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for instruction and extracurricular activities and to cover a gap between estimated revenue and appropriations in the fiscal year 2016 budget.

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

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

Bond Premiums

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

Estimates

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

Budgetary Data

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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	Permanent Improvement	Other Governmental Funds	Total
<i>Nonspendable</i>					
Unclaimed Monies	\$385	\$0	\$0	\$0	\$385
<i>Restricted for</i>					
Food Service Operations	0	0	0	152,156	152,156
Scholarships and Awards	0	0	0	41,787	41,787
Athletics	0	0	0	28,966	28,966
Classroom Facilities Maintenance	0	0	0	490,540	490,540
Instructional Services	0	0	0	10,135	10,135
Debt Service Payments	0	549,225	0	0	549,225
Capital Improvements	0	0	693,576	124,795	818,371
<i>Total Restricted</i>	<u>0</u>	<u>549,225</u>	<u>693,576</u>	<u>848,379</u>	<u>2,091,180</u>
<i>Assigned to</i>					
Instruction and Extracurricular	20,663	0	0	0	20,663
Fiscal Year 2016 Operations	624,408	0	0	0	624,408
Purchases on Order:					
Purchases/Contractual Services	101,330	0	0	0	101,330
<i>Total Assigned</i>	<u>746,401</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>746,401</u>
<i>Unassigned (Deficit)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,415)</u>	<u>(4,415)</u>
<i>Total Fund Balances</i>	<u>\$746,786</u>	<u>\$549,225</u>	<u>\$693,576</u>	<u>\$843,964</u>	<u>\$2,833,551</u>

Note 4 – Accountability

At June 30, 2015, the race to the top, title VI-B, title II-A, and the miscellaneous federal grants special revenue funds had deficit fund balances of \$4, \$3,584, \$709 and \$118, respectively.

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5 - Budgetary Basis of Accounting

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

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

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

	General
GAAP Basis	(\$279,400)
Net Adjustment for Revenue Accruals	63,224
Advances In	26,941
Net Adjustment for Expenditure Accruals	88
Advances Out	(7,382)
Perspective Difference:	
Uniform School Supply	(3,022)
Public School Support	3,147
Encumbrances	(137,448)
Budget Basis	(\$333,852)

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,089,646 of the School District's bank balance of \$3,646,865 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Note 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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2015 was \$6,206 in the general fund, \$363 in the classroom facilities special revenue fund and \$2,024 in the bond retirement debt service fund. The amount available as an advance at June 30, 2014, was \$16,300 in the general fund, \$942 in the classroom facilities special revenue fund and \$5,230 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$62,578,060	97.06 %	\$63,402,620	96.75 %
Public Utility Personal	1,896,220	2.94	2,129,040	3.25
Total	<u>\$64,474,280</u>	<u>100.00 %</u>	<u>\$65,531,660</u>	<u>100.00 %</u>
Full Tax rate per \$1,000 of assessed valuation	\$51.15		\$51.05	

Note 8 - Receivables

Receivables at June 30, 2015, 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:

Intergovernmental Receivables	Amounts
Miscellaneous Federal Grants	\$49,554
Title VI-B Grant	2,745
Title II-A Grant	681
Title I Grant	489
State of Ohio	378
Total	<u>\$53,847</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, 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. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

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

Lease

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Nondepreciable Capital Assets				
Land	\$224,230	\$0	\$0	\$224,230
Depreciable Capital Assets				
Land and Improvements	3,039,086	0	0	3,039,086
Buildings and Improvements	16,686,448	5,888	0	16,692,336
Furniture, Fixtures and Equipment	2,647,725	2,300	0	2,650,025
Vehicles	574,412	81,927	0	656,339
<i>Total Depreciable Capital Assets</i>	<u>22,947,671</u>	<u>90,115</u>	<u>0</u>	<u>23,037,786</u>
Less: Accumulated Depreciation				
Land and Improvements	(373,757)	(150,022)	0	(523,779)
Buildings and Improvements	(1,516,546)	(533,364)	0	(2,049,910)
Furniture, Fixtures and Equipment	(564,993)	(156,083)	0	(721,076)
Vehicles	(311,890)	(46,808)	0	(358,698)
<i>Total Accumulated Depreciation</i>	<u>(2,767,186)</u>	<u>(886,277) *</u>	<u>0</u>	<u>(3,653,463)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>20,180,485</u>	<u>(796,162)</u>	<u>0</u>	<u>19,384,323</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$20,404,715</u>	<u>(\$796,162)</u>	<u>\$0</u>	<u>\$19,608,553</u>

* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$801,944
Special	1,500
Support Services	
Instructional Staff	13,283
Administration	786
Operation and Maintenance of Plant	6,303
Pupil Transportation	46,951
Food Service Operations	6,777
Extracurricular Activities	8,733
Total Depreciation Expense	<u>\$886,277</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 11 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Fiscal Year of Maturity
2008 Classroom Facilities Bonds:			
Serial Bonds	3.00 - 4.00%	\$3,110,000	2023
Term Bonds	4.00 - 5.00	4,890,000	2036

The changes in the School District’s long-term obligations during fiscal year 2015 were as follows:

	Balance 6/30/14	Additions	Deductions	Balance 6/30/15	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2008 Classroom Facilities					
Serial Bonds	\$2,210,000	\$0	\$215,000	\$1,995,000	\$220,000
Term Bonds	4,890,000	0	0	4,890,000	0
Unamortized Premium	154,818	0	7,145	147,673	0
<i>Total General Obligation Bonds</i>	<u>7,254,818</u>	<u>0</u>	<u>222,145</u>	<u>7,032,673</u>	<u>220,000</u>
<i>Other Long-Term Obligations:</i>					
Net Pension Liability:					
STRS	5,865,576	0	941,459	4,924,117	0
SERS	1,295,603	0	192,975	1,102,628	0
Total Net Pension Liability	<u>7,161,179</u>	<u>0</u>	<u>1,134,434</u>	<u>6,026,745</u>	<u>0</u>
Compensated Absences	253,622	0	60,055	193,567	71,715
<i>Total Other Long-Term Obligations</i>	<u>7,414,801</u>	<u>0</u>	<u>1,194,489</u>	<u>6,220,312</u>	<u>71,715</u>
Total Long-Term Liabilities	<u><u>\$14,669,619</u></u>	<u><u>\$0</u></u>	<u><u>\$1,416,634</u></u>	<u><u>\$13,252,985</u></u>	<u><u>\$291,715</u></u>

Compensated absences will be paid from the general fund and the food service, Ohio schools facility maintenance and the title I special revenue funds. The School District pays obligations related to employee compensation from the fund benefitting from their service. See note 12 for additional information related to the net pension liability.

On February 20, 2008, Southington Local School District issued \$8,000,000 in general obligation bonds, which included serial and term bonds to fund capital improvements to the School District’s buildings. The bonds were issued for a twenty-eight year period with final maturity on December 1, 2035. The bonds were issued at a premium of \$200,073 and will be repaid with property taxes in the bond retirement fund.

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

The School District's overall debt margin was zero with an unvoted debt margin of \$65,532 at June 30, 2015. The School District has been designated as an "approved special needs school district" by the Ohio Superintendent of Public Instruction. As a result, any portion of the otherwise non-exempt debt authorized by the School District's voters in excess of the 9 percent limitation is exempted from the limitation pursuant to Revised Code Section 133.06(D)(2). Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

	Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest
2016	\$220,000	\$301,350	\$0	\$0
2017	225,000	294,534	0	0
2018	235,000	287,200	0	0
2019	240,000	279,481	0	0
2020	255,000	270,481	0	0
2021-2025	820,000	747,943	610,000	441,162
2026-2030	0	0	1,805,000	847,991
2031-2035	0	0	2,020,000	369,250
2036	0	0	455,000	11,375
Total	<u>\$1,995,000</u>	<u>\$2,180,989</u>	<u>\$4,890,000</u>	<u>\$1,669,778</u>

Note 12 - Defined Benefit Pension Plans

Net Pension Liability

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year 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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$83,331 for fiscal year 2015. Of this amount \$3,715 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. 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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was \$294,454 for fiscal year 2015. Of this amount \$47,548 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, 2014, 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>
Proportionate Share of the Net Pension Liability	\$1,102,628	\$4,924,117	\$6,026,745
Proportion of the Net Pension Liability	0.021787%	0.02024431%	
Pension Expense	\$63,392	\$193,320	\$256,712

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$9,385	\$47,405	\$56,790
School District contributions subsequent to the measurement date	83,331	294,454	377,785
Total Deferred Outflows of Resources	\$92,716	\$341,859	\$434,575
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$178,960	\$910,980	\$1,089,940

\$377,785 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$42,370)	(\$215,894)	(\$258,264)
2017	(42,370)	(215,894)	(258,264)
2018	(42,370)	(215,894)	(258,264)
2019	(42,465)	(215,893)	(258,358)
Total	(\$169,575)	(\$863,575)	(\$1,033,150)

Actuarial Assumptions - SERS

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 7.75 percent,

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$1,573,122	\$1,102,628	\$706,901

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$7,049,410	\$4,924,117	\$3,126,834

Note 13 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015, the School District's surcharge obligation was \$11,175.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$4,880, \$4,835 and \$4,559, respectively. For fiscal year 2015, 86.24 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were \$0, \$21,646 and \$21,195, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

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 and classified employees is 312 days.

For all employees, retirement severance is paid to each employee retiring from the School District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the School District for a minimum of ten consecutive years and has ten years of service with the State retirement system at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 78 days.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Life Insurance Benefits

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

Health Insurance Benefits

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

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 2015, 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 \$15,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of \$15,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of \$29,425,936.

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

Worker's Compensation

For fiscal year 2015, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. The Board exercises total control over the operations of the GRP including budgeting, appropriating, contracting and designating management.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 \$15,527 to NEOMIN during fiscal year 2015.

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 2015. 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 2015. To obtain financial information write to the Trumbull Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

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

The State Support Team Region 5 is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the State Support Team Region 5 during fiscal year 2015. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

Note 17 – Public Entity Risk Sharing Pools

Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Risk Sharing Pool

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

Note 18 - Set Aside Calculation

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

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, 2014	\$0
Current Year Set-aside Requirement	98,619
Offsets	(522,875)
Qualifying Disbursements	(15,005)
Total	(\$439,261)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2015	\$0

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 19 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$73,134 and \$2,611 to the athletics and music and race to the top special revenue funds, respectively, to help provide funding for fiscal year 2015. The Ohio Schools Facility Commission capital projects transferred \$38,814 and \$690,107, respectively, to the bond retirement debt service fund and the permanent improvement capital projects to close out the fund as directed by Ohio Facilities Construction Commission.

Interfund Balances

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable			Total
	General Fund	Bond Retirement	Permanent Improvement	
Major Fund				
Ohio School Facilities	\$0	\$38,814	\$690,107	\$728,921
Other Governmental Funds				
Athletics and Music	300	0	0	300
Miscellaneous Federal Grants	7,382	0	0	7,382
Total	\$7,682	\$38,814	\$690,107	\$736,603

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. The interfund receivables and payables between the Ohio School Facilities fund and the bond retirement and permanent improvement fund is to close out the fund as directed by the Ohio Facilities Construction Commission. All interfund receivables will be repaid within one year.

Note 20 – Significant Commitments

Encumbrances

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

<i>Major Funds:</i>	
General	\$137,448
Permanent Improvement	535
Ohio Schools Facilities	8,339
<i>Other Governmental Funds</i>	60,748
Total	\$207,070

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The School District also had understated capital assets that were the result of a revision from their valuation company. The implementation of this pronouncement and the change to capital assets had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$16,386,523
Adjustments:	
Net Pension Liability	(7,161,179)
Deferred Outflow - Payments Subsequent to Measurement Date	357,996
Understated Capital Assets	124,621
Restated Net Position June 30, 2014	\$9,707,961

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

Note 22 – Ohio School Facilities Project Liability

In prior years, the School District participated in the Ohio School Facilities Commission (OSFC) Classroom Facilities Assistance Program for construction and renovation of School District facilities. The School District has signed a Certificate of Completion of the Project Agreement with the Ohio Facilities Construction Commission (OFCC) for a project close-out. As of June 30, 2015, the School District anticipates the repayment of \$236,403 to the OSFC. As of the date of the financial statements, no payments have been made from the School District to the OFCC. See Subsequent Event Note 23 for further details.

Note 23 – Subsequent Event

Ohio School Facilities Project Closeout The School District has signed a Certificate of Completion of the Project Agreement with the Ohio Facilities Construction Commission (OFCC) for a project closeout. The agreement calls for repayment of funds to the OFCC as well as to other School District Funds to finalize the project (see Note 22). As of the date of the financial statements, the School District has closed out the Ohio School Facilities capital projects fund.

Required Supplementary Information

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.021787%	0.021787%
School District's Proportionate Share of the Net Pension Liability	\$1,102,628	\$1,295,603
School District's Covered-Employee Payroll	\$626,206	\$616,023
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	176.08%	210.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.02024431%	0.02024431%
School District's Proportionate Share of the Net Pension Liability	\$4,924,117	\$5,865,576
School District's Covered-Employee Payroll	\$2,086,186	\$2,119,477
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	236.03%	276.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$83,331	\$86,792	\$85,258	\$83,825
Contributions in Relation to the Contractually Required Contribution	<u>(83,331)</u>	<u>(86,792)</u>	<u>(85,258)</u>	<u>(83,825)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$632,257	\$626,206	\$616,023	\$623,236
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$75,174	\$82,063	\$62,861	\$64,356	\$59,962	\$55,144
<u>(75,174)</u>	<u>(82,063)</u>	<u>(62,861)</u>	<u>(64,356)</u>	<u>(59,962)</u>	<u>(55,144)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$598,044	\$606,080	\$638,834	\$655,360	\$561,442	\$521,210
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$294,454	\$271,204	\$275,532	\$276,741
Contributions in Relation to the Contractually Required Contribution	<u>(294,454)</u>	<u>(271,204)</u>	<u>(275,532)</u>	<u>(276,741)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,103,243	\$2,086,186	\$2,119,477	\$2,128,777
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$278,133	\$295,614	\$297,114	\$304,032	\$282,901	\$276,471
(278,133)	(295,614)	(297,114)	(304,032)	(282,901)	(276,471)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,139,485	\$2,273,954	\$2,285,492	\$2,338,708	\$2,176,162	\$2,126,700
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

(This Page Intentionally Left Blank.)



Dave Yost • Auditor of State

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

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

To the Board of Education

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southington Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 10, 2016, wherein we noted the District has adopted Governmental Accounting Standards Board Statement No. 68 and No 71.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

May 10, 2016

**SOUTHINGTON LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
June 30, 2015**

1. Intergovernmental Payables/Interfund Activity Understated

<i>Finding Number</i>	2015-001
-----------------------	----------

MATERIAL WEAKNESS

Governmental Accounting Standards Board (GASB) Statement Number 33, Accounting and Financial Reporting for Nonexchange Transactions, paragraph 26 states after a nonexchange transaction has been recognized in the financial statements, it may become apparent that (a) the eligibility requirements are no longer met (the transaction was recognized as a government-mandated or voluntary nonexchange transaction) or (b) the recipient will not comply with the purpose restrictions within the specified time limit. In these circumstances, if it is probable that the provider will not provide the resources or will require the recipient to return all or part of the resources already received, the recipient should recognize a decrease in assets (or an increase in liabilities) and an expense, and the provider should recognize a decrease in liabilities (or an increase in assets) and a revenue, for the amount that the provider is expected to cancel or reclaim.

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

The control procedures of the District over the review of the financial statements and notes failed to recognize the intergovernmental payable for the liability owed to the Ohio School Facilities Commission (OSFC) of \$236,403 and the associated \$728,921 liability/asset for amounts owed to other funds of the District to zero out the fund. In addition, a subsequent event note was not included to disclose this significant subsequent event. The financial statements and notes to the financial statements have been adjusted accordingly.

The District should improve its control procedures to help ensure all amounts are properly presented on the financial statements and in the notes to the financial statements.

Official's Response: No response was provided.

This page intentionally left blank.



Dave Yost • Auditor of State

SOUTHINGTON LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 21, 2016**