

SOUTHERN LOCAL SCHOOL DISTRICT  
COLUMBIANA COUNTY, OHIO

*SINGLE AUDIT*

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020



Rea & associates

[www.reacpa.com](http://www.reacpa.com)



OHIO AUDITOR OF STATE  
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Southern Local School District, Columbiana County, prepared by Rea & Associates, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

January 14, 2021

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**Columbiana County, Ohio**  
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December 27, 2020

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

## **Independent Auditor's Report**

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

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

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

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

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

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Local School District, Columbiana County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 21, the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of the School District. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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



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

**Other Reporting Required by *Government Auditing Standards***

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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

***Financial Highlights***

Key financial highlights for 2020 are as follows:

- Net position decreased \$700,584, which represents a 110.55 percent decrease from 2019.
- Capital assets decreased \$618,591 during fiscal year 2020.
- During the year, outstanding debt decreased from \$2,721,211 to \$2,262,259.

***Using this Annual Report***

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

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

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Fund Financial Statements***

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

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

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

***Reporting the School District's Fiduciary Responsibilities***

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

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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2020 compared to 2019:

**Table 1**  
**Net Position**

	Governmental Activities		
	2020	2019	Change
<b>Assets</b>			
Current and Other Assets	\$ 8,009,400	\$ 7,185,412	\$ 823,988
Net OPEB Asset	572,827	608,218	(35,391)
Capital Assets	9,490,529	10,109,120	(618,591)
<i>Total Assets</i>	<u>18,072,756</u>	<u>17,902,750</u>	<u>170,006</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding	29,703	36,427	(6,724)
Pension & OPEB	2,751,972	3,706,113	(954,141)
<i>Total Deferred Outflows of Resources</i>	<u>2,781,675</u>	<u>3,742,540</u>	<u>(960,865)</u>
<b>Liabilities</b>			
Current Liabilities	1,061,846	1,271,614	(209,768)
Long-Term Liabilities:			
Due Within One Year	534,237	522,887	11,350
Due in More Than One Year			
Pension & OPEB	11,844,140	12,382,688	(538,548)
Other Amounts	2,124,134	2,588,733	(464,599)
<i>Total Liabilities</i>	<u>15,564,357</u>	<u>16,765,922</u>	<u>(1,201,565)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,320,230	2,555,463	764,767
Pension & OPEB	2,036,707	1,690,184	346,523
<i>Total Deferred Inflows of Resources</i>	<u>5,356,937</u>	<u>4,245,647</u>	<u>1,111,290</u>
<b>Net Position</b>			
Net Investment in Capital Assets	7,210,188	7,365,731	(155,543)
Restricted	1,819,099	1,761,626	57,473
Unrestricted	(9,096,150)	(8,493,636)	(602,514)
<i>Total Net Position</i>	<u>\$ (66,863)</u>	<u>\$ 633,721</u>	<u>\$ (700,584)</u>

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Collectively, the net pension liability (NPL), reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and the net OPEB liability, pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, are the largest liabilities reported by the School District at June 30, 2020. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB asset/liability (NOA/NOL) to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2020 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

At year end, capital assets represented 53 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets was \$7,210,188 at June 30, 2020. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$1,819,099, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of \$9,096,150 which has primarily been caused by GASB 68/75.

Current and other assets increased during fiscal year 2020 with the most significant increase being cash and cash equivalents primarily due to increased operating grants and other revenue. The decrease in capital assets is due to depreciation exceeding capital purchases.

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

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2020 and 2019.

**Table 2**  
**Changes in Net Position**

	2020	2019	Change
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services	\$ 1,405,290	\$ 1,431,013	\$ (25,723)
Operating Grants	1,704,471	1,465,144	239,327
<b>Total Program Revenues</b>	<b>3,109,761</b>	<b>2,896,157</b>	<b>213,604</b>
<i>General Revenues:</i>			
Property Taxes	3,215,499	4,108,907	(893,408)
Grants and Entitlements Not Restricted	7,888,348	7,977,081	(88,733)
Other	334,625	206,061	128,564
<b>Total General Revenues</b>	<b>11,438,472</b>	<b>12,292,049</b>	<b>(853,577)</b>
<b>Total Revenues</b>	<b>14,548,233</b>	<b>15,188,206</b>	<b>(639,973)</b>
<b>Program Expenses</b>			
<i>Instruction:</i>			
Regular	5,608,208	5,313,563	294,645
Special	1,610,630	1,417,419	193,211
Vocational	161,358	191,584	(30,226)
Other	23,755	62,234	(38,479)
<i>Support Services:</i>			
Pupils	724,019	485,518	238,501
Instructional Staff	409,920	416,886	(6,966)
Board of Education	654,807	636,984	17,823
Administration	1,226,288	1,031,876	194,412
Fiscal	541,545	572,608	(31,063)
Business	36,839	7,013	29,826
Operation and Maintenance of Plant	1,615,119	1,712,609	(97,490)
Pupil Transportation	1,078,349	892,879	185,470
Central	134,948	62,312	72,636
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	605,077	547,072	58,005
Community Services	61,573	12,015	49,558
Extracurricular Activities	672,941	591,819	81,122
<i>Debt Service:</i>			
Interest and Fiscal Charges	83,441	91,223	(7,782)
<b>Total Expenses</b>	<b>15,248,817</b>	<b>14,045,614</b>	<b>1,203,203</b>
<b>Increase (Decrease) in Net Position</b>	<b>(700,584)</b>	<b>1,142,592</b>	<b>(1,843,176)</b>
<b>Net Position at Beginning of Year</b>	<b>633,721</b>	<b>(508,871)</b>	<b>1,142,592</b>
<b>Net Position at End of Year</b>	<b>\$ (66,863)</b>	<b>\$ 633,721</b>	<b>\$ (700,584)</b>



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The property taxes decreased due to a decrease in the amount of property taxes available for advance at year end, which can vary from year to year based on the timing of collections. As a result of the COVID-19 pandemic, operating grants increased with the introduction of the student wellness and success grant while grants and entitlements not restricted decreased from state funding budget cuts due to the COVID-19 pandemic.

The previously discussed decrease in net pension/OPEB liabilities, substantially increased all instructional, support services and extracurricular activities expenses compared to fiscal year 2020.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2020	2019	2020	2019
Instruction:				
Regular	\$ 5,608,208	\$ 5,313,563	\$ 4,578,704	\$ 4,224,065
Special	1,610,630	1,417,419	670,963	407,139
Vocational	161,358	191,584	124,587	154,782
Other	23,755	62,234	23,755	62,234
Support Services:				
Pupils	724,019	485,518	536,945	485,518
Instructional Staff	409,920	416,886	350,319	305,926
Board of Education	654,807	636,984	654,807	636,984
Administration	1,226,288	1,031,876	1,026,386	957,043
Fiscal	541,545	572,608	541,545	572,608
Business	36,839	7,013	36,839	7,013
Operation and Maintenance of Plant	1,615,119	1,712,609	1,609,235	1,704,324
Pupil Transportation	1,078,349	892,879	1,078,349	892,879
Central	134,948	62,312	134,948	62,312
Operation of Non-Instructional Services:				
Food Service Operations	605,077	547,072	82,572	110,188
Community Services	61,573	12,015	53,988	(8,174)
Extracurricular Activities	672,941	591,819	551,673	483,393
Debt Service:				
Interest and Fiscal Charges	83,441	91,223	83,441	91,223
<i>Total Expenses</i>	<b>\$ 15,248,817</b>	<b>\$ 14,045,614</b>	<b>\$ 12,139,056</b>	<b>\$ 11,149,457</b>

The dependence upon general revenues for governmental activities is apparent. Nearly 80 percent of governmental activities are supported through taxes and other general revenues; such revenues are 79 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

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

***Governmental Funds***

The School District's major funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2020 was an increase of \$96,693, as revenues continue to outpace expenditures, offset by transfers to other funds to assist with operations.

The fund balance of the bond retirement fund increased by \$28,889.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2020, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

***Original Budget Compared to Final Budget*** For the general fund, the most significant variances between the original budget basis revenue and other financing sources to the final budget were increases for property taxes and intergovernmental revenue. The most significant variances between original expenditure appropriations and final expenditure appropriations in the general fund were due to increases in regular and special instruction.

***Final Budget Compared to Actual Results*** For the general fund, actual budget basis revenue and other financing sources was higher than the final budget basis revenue. Most of this difference is due to an underestimation of intergovernmental revenue. There were no significant variances between final appropriations and actual expenditures and other financing sources.

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*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

Table 4 shows fiscal year 2020 balances compared with 2019.

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

	Governmental Activities	
	2020	2019
Land	\$ 84,670	\$ 84,670
Construction in Progress	0	259,302
Land Improvements	240,712	221,487
Buildings and Improvements	8,611,508	9,258,429
Furniture and Equipment	74,275	80,459
Vehicles	454,889	173,306
Infrastructure	24,475	31,467
<i>Totals</i>	<u>\$ 9,490,529</u>	<u>\$ 10,109,120</u>

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

**Debt**

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

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$ 1,095,000	\$ 1,290,000
Lease-Purchase Agreements	1,167,259	1,431,211
<i>Total</i>	<u>\$ 2,262,259</u>	<u>\$ 2,721,211</u>

**Southern Local School District**  
**Columbiana County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2020*  
*(Unaudited)*

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***Current Issues***

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

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

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

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District.

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

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

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**Southern Local School District**  
**Columbiana County, Ohio**  
*Statement of Net Position*  
*June 30, 2020*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,261,508
Cash and Cash Equivalents with Fiscal Agent	890,307
Receivables:	
Intergovernmental	239,861
Property Taxes	3,617,724
Net OPEB Asset	572,827
Nondepreciable Capital Assets	84,670
Depreciable Capital Assets (Net)	9,405,859
<i>Total Assets</i>	18,072,756
<b>Deferred Outflows of Resources</b>	
Deferred Charges on Refunding	29,703
Pension	2,310,304
OPEB	441,668
<i>Total Deferred Outflows of Resources</i>	2,781,675
<b>Liabilities</b>	
Accounts Payable	108,368
Accrued Wages and Benefits	672,009
Intergovernmental Payable	222,858
Claims Payable	58,611
Long Term Liabilities:	
Due Within One Year	534,237
Due In More Than One Year:	
Net Pension Liability	10,577,056
Net OPEB Liability	1,267,084
Other Amounts Due in More Than One Year	2,124,134
<i>Total Liabilities</i>	15,564,357
<b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	3,320,230
Pension	950,235
OPEB	1,086,472
<i>Total Deferred Inflows of Resources</i>	5,356,937
<b>Net Position</b>	
Net Investment in Capital Assets	7,210,188
Restricted For:	
Capital Outlay	25,165
Debt Service	1,092,263
Other Purposes	701,671
Unrestricted	(9,096,150)
<i>Total Net Position</i>	\$ (66,863)

See accompanying notes to the basic financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 5,608,208	\$ 1,025,821	\$ 3,683	\$ (4,578,704)
Special	1,610,630	175,490	764,177	(670,963)
Vocational	161,358	0	36,771	(124,587)
Other	23,755	0	0	(23,755)
Support Services:				
Pupils	724,019	0	187,074	(536,945)
Instructional Staff	409,920	0	59,601	(350,319)
Board of Education	654,807	0	0	(654,807)
Administration	1,226,288	0	199,902	(1,026,386)
Fiscal	541,545	0	0	(541,545)
Business	36,839	0	0	(36,839)
Operation and Maintenance of Plant	1,615,119	0	5,884	(1,609,235)
Pupil Transportation	1,078,349	0	0	(1,078,349)
Central	134,948	0	0	(134,948)
Operation of Non-Instructional Services:				
Food Service Operations	605,077	82,711	439,794	(82,572)
Community Services	61,573	0	7,585	(53,988)
Extracurricular Activities	672,941	121,268	0	(551,673)
Debt Service:				
Interest and Fiscal Charges	83,441	0	0	(83,441)
<b>Total</b>	<u>\$ 15,248,817</u>	<u>\$ 1,405,290</u>	<u>\$ 1,704,471</u>	<u>(12,139,056)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	2,745,431
Debt Service	205,238
Capital Outlay	222,153
Facilities Maintenance	42,677
Grants and Entitlements Not Restricted to Specific Programs	7,888,348
Investment Earnings	26,992
Miscellaneous	307,633
<b>Total General Revenues</b>	<u>11,438,472</u>
 <i>Change in Net Position</i>	 (700,584)
 <i>Net Position Beginning of Year</i>	 <u>633,721</u>
<i>Net Position End of Year</i>	<u>\$ (66,863)</u>

See accompanying notes to the basic financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2020*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,743,840	\$ 1,073,176	\$ 444,492	\$ 3,261,508
Receivables:				
Interfund	20,177	0	0	20,177
Intergovernmental	0	0	239,861	239,861
Property Taxes	2,899,839	362,142	355,743	3,617,724
<i>Total Assets</i>	<u>\$ 4,663,856</u>	<u>\$ 1,435,318</u>	<u>\$ 1,040,096</u>	<u>\$ 7,139,270</u>
<b>Liabilities</b>				
Accounts Payable	\$ 56,462	\$ 0	\$ 51,906	\$ 108,368
Accrued Wages and Benefits	560,478	0	111,531	672,009
Intergovernmental Payable	209,559	0	13,299	222,858
Interfund Payable	0	0	20,177	20,177
<i>Total Liabilities</i>	<u>826,499</u>	<u>0</u>	<u>196,913</u>	<u>1,023,412</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	2,648,279	343,055	328,896	3,320,230
Unavailable Revenue	191,662	14,231	156,561	362,454
<i>Total Deferred Inflows of Resources</i>	<u>2,839,941</u>	<u>357,286</u>	<u>485,457</u>	<u>3,682,684</u>
<b>Fund Balances</b>				
Restricted	0	1,078,032	452,412	1,530,444
Assigned	33,524	0	0	33,524
Unassigned	963,892	0	(94,686)	869,206
<i>Total Fund Balances</i>	<u>997,416</u>	<u>1,078,032</u>	<u>357,726</u>	<u>2,433,174</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 4,663,856</u>	<u>\$ 1,435,318</u>	<u>\$ 1,040,096</u>	<u>\$ 7,139,270</u>

See accompanying notes to the basic financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2020*

<b>Total Governmental Fund Balances</b>		\$ 2,433,174
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,490,529
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 136,466	
Delinquent Property Taxes	<u>225,988</u>	362,454
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		831,696
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		29,703
The net pension and OPEB assets/liabilities are not due and payable in the current period; therefore, the assets/liabilities and related deferred inflows/outflows are not reported in the funds.		
Net OPEB Asset	572,827	
Deferred Outflows - Pension	2,310,304	
Deferred Outflows - OPEB	441,668	
Net Pension Liability	(10,577,056)	
Net OPEB Liability	(1,267,084)	
Deferred Inflows - Pension	(950,235)	
Deferred Inflows - OPEB	<u>(1,086,472)</u>	(10,556,048)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
General Obligation Bonds	(1,095,000)	
Bond Premium	(47,785)	
Lease Purchase Obligations	(1,167,259)	
Compensated Absences	<u>(348,327)</u>	<u>(2,658,371)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ (66,863)</u>

See accompanying notes to the basic financial statements.



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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 2,722,404	\$ 211,640	\$ 262,884	\$ 3,196,928
Intergovernmental	8,316,057	45,156	1,210,855	9,572,068
Tuition and Fees	1,172,813	0	0	1,172,813
Extracurricular Activities	25,108	0	96,160	121,268
Charges for Services	28,498	0	82,711	111,209
Miscellaneous	307,633	0	0	307,633
<i>Total Revenues</i>	<u>12,572,513</u>	<u>256,796</u>	<u>1,652,610</u>	<u>14,481,919</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,958,622	0	250	4,958,872
Special	1,326,225	0	250,845	1,577,070
Vocational	147,448	0	0	147,448
Other	23,755	0	0	23,755
Support Services:				
Pupils	640,827	0	58,128	698,955
Instructional Staff	292,031	0	63,192	355,223
Board of Education	624,406	0	0	624,406
Administration	1,023,245	0	168,139	1,191,384
Fiscal	504,352	6,071	6,904	517,327
Business	36,882	0	0	36,882
Operation and Maintenance of Plant	996,099	0	449,002	1,445,101
Pupil Transportation	906,900	0	390	907,290
Central	65,758	0	0	65,758
Extracurricular Activities	354,631	0	178,378	533,009
Operation of Non-Instructional Services:				
Food Service Operations	0	0	605,227	605,227
Community Services	54,953	0	6,620	61,573
Capital Outlay	37,847	0	48,587	86,434
Debt Service:				
Principal Retirement	263,952	195,000	0	458,952
Interest and Fiscal Charges	37,887	26,836	22,814	87,537
<i>Total Expenditures</i>	<u>12,295,820</u>	<u>227,907</u>	<u>1,858,476</u>	<u>14,382,203</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>276,693</u>	<u>28,889</u>	<u>(205,866)</u>	<u>99,716</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	180,000	180,000
Transfers Out	(180,000)	0	0	(180,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(180,000)</u>	<u>0</u>	<u>180,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	96,693	28,889	(25,866)	99,716
<i>Fund Balances Beginning of Year</i>	<u>900,723</u>	<u>1,049,143</u>	<u>383,592</u>	<u>2,333,458</u>
<i>Fund Balances End of Year</i>	<u>\$ 997,416</u>	<u>\$ 1,078,032</u>	<u>\$ 357,726</u>	<u>\$ 2,433,174</u>

See accompanying notes to the basic financial statements.

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	99,716
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 176,248	
Current Year Depreciation	<u>(794,839)</u>	(618,591)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	18,571	
Intergovernmental	<u>20,751</u>	39,322
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	195,000	
Lease Purchase Agreements	<u>263,952</u>	458,952
In the statement of activities, interest is accrued on outstanding bonds; and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Amortization of Premium on Bonds	10,820	
Amortization of Refunding Loss/Gain	<u>(6,724)</u>	4,096
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	891,913	
OPEB	<u>29,676</u>	921,589
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB assets/liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,734,385)	
OPEB	<u>15,289</u>	(1,719,096)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.		
		129,951
Some expenses reported in the statement of activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(16,523)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(700,584)</u></u>

See accompanying notes to the basic financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Other Financing Sources	\$ 12,109,410	\$ 12,794,487	\$ 13,089,892	\$ 295,405
Expenditures and Other Financing Uses	<u>12,500,000</u>	<u>12,750,000</u>	<u>12,723,579</u>	<u>26,421</u>
Net Change in Fund Balance	(390,590)	44,487	366,313	321,826
<i>Fund Balance Beginning of Year</i>	1,358,120	1,358,120	1,358,120	0
Prior Year Encumbrances Appropriated	<u>6,059</u>	<u>6,059</u>	<u>6,059</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 973,589</u>	<u>\$ 1,408,666</u>	<u>\$ 1,730,492</u>	<u>\$ 321,826</u>

See accompanying notes to the basic financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2020*

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	Governmental Activities - Internal Service Fund
<b>Assets</b>	
<i>Current Assets</i>	
Cash and Cash Equivalents with Fiscal Agent	\$ 890,307
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	58,611
<b>Net Position</b>	
Unrestricted	831,696
<i>Total Net Position</i>	\$ 831,696

See accompanying notes to the basic financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2020

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$ 2,005,203
Other	167,786
<i>Total Operating Revenues</i>	<i>2,172,989</i>
<b>Operating Expenses</b>	
Purchased Services	422,650
Claims	1,647,380
<i>Total Operating Expenses</i>	<i>2,070,030</i>
<i>Operating Income (Loss)</i>	<i>102,959</i>
<b>Non-Operating Revenues (Expenses)</b>	
Interest	26,992
<i>Change in Net Position</i>	<i>129,951</i>
<i>Net Position Beginning of Year</i>	<i>701,745</i>
<i>Net Position End of Year</i>	<i>\$ 831,696</i>

See accompanying notes to the basic financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2020

	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 2,005,203
Other Cash Receipts	167,786
Cash Paid for Employee Benefits	(422,650)
Cash Paid for Claims	(1,718,130)
<i>Net Cash Provided By (Used For) Operating Activities</i>	32,209
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	26,992
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	59,201
<i>Cash and Cash Equivalents, Beginning of Year</i>	831,106
<i>Cash and Cash Equivalents, End of Year</i>	\$ 890,307
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>	
Operating Income (Loss)	\$ 102,959
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:	
Claims Payable	(70,750)
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 32,209

See accompanying notes to the basic financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2020*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 109,139</u>
<b>Liabilities</b>	
Due to Students	<u>\$ 109,139</u>

See accompanying notes to the basic financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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



**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

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

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

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

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

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

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

### ***C. Measurement Focus***

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

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

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

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

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

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

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

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

***D. Basis of Accounting***

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

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

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

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

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

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

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

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

***E. Cash and Cash Equivalents***

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund in fiscal year 2020 was zero.

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

***F. Capital Assets***

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

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

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

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

***G. Interfund Balances***

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

***H. Compensated Absences***

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

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

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The total liability for vacation and sick leave has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

***I. Pensions and Other Postemployment Benefits (OPEB)***

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

***J. Bond Premiums***

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

***K. Accrued Liabilities and Long-Term Obligations***

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

***L. Fund Balance***

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

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

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

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

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

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

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

***M. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes instructional activities, grants and extracurricular activities. At June 30, 2020, none of the School District's net position was restricted by enabling legislation.

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

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***N. Interfund Activity***

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

***O. Estimates***

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

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2020, the School District had no extraordinary or special terms.

***Q. Budgetary Data***

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

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

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



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**R. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2020, the School District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the School District also implemented paragraphs 4 and 5 of Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Paragraph 4 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a government board typically would perform and paragraph 5 mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. The implementation of paragraphs 4 and 5 of this Statement did not have an effect on the financial statements of the School District.

For the fiscal year ended June 30, 2020, the School District has early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and GASB Statement No. 92 *Omnibus 2020*.

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

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**NOTE 3 – ACCOUNTABILITY**

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Non-Major Funds</u>	
Building Fund	\$ 700
Food Service	25,848
Miscellaneous State Grants	48,587
Title VI-B	8,580
Title I	6,021
Preschool Grant	1,712
Title II-A	3,238

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

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio).
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

#### Deposits

At year-end, \$3,195,109 of the School District's bank balance of \$3,445,109 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

#### Custodial Credit Risk

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

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

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Cash and Cash Equivalents with Fiscal Agent

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

Investments

As of June 30, 2020, the School District had no investments.

**NOTE 5 – INTERFUND TRANSACTIONS**

***A. Interfund Balances***

Interfund balances for the year ended June 30, 2020 consisted of the following, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
General Fund	\$ 20,177	\$ 0
Other Governmental Funds:		
Preschool Grant	0	1,712
Title I	0	266
Title VI-B	0	11,931
Title II-A	0	6,268
Total	\$ 20,177	\$ 20,177

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

***B. Interfund Transfers***

During the fiscal year, the general fund transferred \$80,000 to the athletic fund and \$100,000 to the food service fund to provide additional resources for current operations.

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

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**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Columbiana, Carroll, and Jefferson Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

	2019 Second-Half Collections		2020 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 90,933,260	69%	\$ 99,856,700	68%
Public Utility Personal Property	41,704,050	31%	46,647,060	32%
<b>Total Assessed Value</b>	<b>\$ 132,637,310</b>	<b>100%</b>	<b>\$ 146,503,760</b>	<b>100%</b>
Tax rate per \$1,000 of Assessed Value	\$ 39.04		\$ 38.01	

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**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2020 consisted of property taxes, interfund, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**NOTE 8 - CAPITAL ASSETS**

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

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020
<b>Governmental Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 84,670	\$ 0	\$ 0	\$ 84,670
Construction in Progress	259,302	0	(259,302)	0
<i>Total Nondepreciable Capital Assets</i>	<u>343,972</u>	<u>0</u>	<u>(259,302)</u>	<u>84,670</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	802,061	58,454	0	860,515
Buildings and Improvements	19,065,941	19,350	0	19,085,291
Furniture and Equipment	503,584	12,010	0	515,594
Vehicles	1,333,290	345,736	0	1,679,026
Infrastructure	139,856	0	0	139,856
<i>Total Capital Assets, Being Depreciated</i>	<u>21,844,732</u>	<u>435,550</u>	<u>0</u>	<u>22,280,282</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(580,574)	(39,229)	0	(619,803)
Buildings and Improvements	(9,807,512)	(666,271)	0	(10,473,783)
Furniture and Equipment	(423,125)	(18,194)	0	(441,319)
Vehicles	(1,159,984)	(64,153)	0	(1,224,137)
Infrastructure	(108,389)	(6,992)	0	(115,381)
<i>Total Accumulated Depreciation</i>	<u>(12,079,584)</u>	<u>(794,839) *</u>	<u>0</u>	<u>(12,874,423)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>9,765,148</u>	<u>(359,289)</u>	<u>0</u>	<u>9,405,859</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 10,109,120</u>	<u>\$ (359,289)</u>	<u>\$ (259,302)</u>	<u>\$ 9,490,529</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 556,783
Support Services:	
Instructional Staff	1,199
Administration	3,026
Operation and Maintenance of Plant	71,202
Pupil Transportation	59,548
Operation of Non-Instructional Services:	
Food Service Operations	3,023
Extracurricular Activities	100,058
<b>Total Depreciation Expense</b>	<u>\$ 794,839</u>

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**NOTE 9 – LONG-TERM OBLIGATIONS**

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

	Outstanding 6/30/2019	Additions	Deductions	Outstanding 6/30/2020	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds:					
2007 Refunding Bonds					
Current Interest Bonds	\$ 1,290,000	\$ 0	\$ (195,000)	\$ 1,095,000	\$ 200,000
Unamortized Premium	58,605	0	(10,820)	47,785	0
<i>Total General Obligation Bonds</i>	<u>1,348,605</u>	<u>0</u>	<u>(205,820)</u>	<u>1,142,785</u>	<u>200,000</u>
Direct Borrowings:					
Football Field Renovations Lease-Purchase	528,325	0	(110,065)	418,260	114,338
HB264-Infrastructure	655,744	0	(62,198)	593,546	127,575
Bus Lease-Purchase	43,419	0	(43,419)	0	0
Bus Lease-Purchase	203,723	0	(48,270)	155,453	50,002
<i>Total Direct Borrowings</i>	<u>1,431,211</u>	<u>0</u>	<u>(263,952)</u>	<u>1,167,259</u>	<u>291,915</u>
Net Pension/OPEB Liability:					
Pension	11,046,863	0	(469,807)	10,577,056	0
OPEB	1,335,825	0	(68,741)	1,267,084	0
<i>Total Net Pension/OPEB Liability</i>	<u>12,382,688</u>	<u>0</u>	<u>(538,548)</u>	<u>11,844,140</u>	<u>0</u>
Other Liabilities:					
Compensated Absences	331,804	121,122	(104,599)	348,327	42,322
<i>Total Governmental Activities</i>					
Long-Term Liabilities	<u>\$ 15,494,308</u>	<u>\$ 121,122</u>	<u>\$ (1,112,919)</u>	<u>\$ 14,502,511</u>	<u>\$ 534,237</u>

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

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

General Obligation Bonds

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

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

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Lease Purchase Agreements

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

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

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

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

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

The following is a summary of the School District’s annual debt service principal and interest payments on debt outstanding at June 30, 2020:

Fiscal Year Ending June 30,	General Obligation Bonds		Lease-Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 200,000	\$ 41,503	\$ 291,915	\$ 32,871	\$ 491,915	\$ 74,374
2022	210,000	33,020	268,713	24,482	478,713	57,502
2023	215,000	24,201	277,386	15,809	492,386	40,010
2024	230,000	14,910	164,655	6,884	394,655	21,794
2025	240,000	5,040	105,119	3,329	345,119	8,369
2026	0	0	59,471	4,990	59,471	4,990
Total	<u>\$ 1,095,000</u>	<u>\$ 118,674</u>	<u>\$ 1,167,259</u>	<u>\$ 88,365</u>	<u>\$ 2,262,259</u>	<u>\$ 207,039</u>



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**NOTE 10 – OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

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

Principals, teachers, aides, secretaries, bus drivers, cafeteria workers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to the number of annual work days per contract plus 90 days, not to exceed 300 days for certified employees and 280 for non-certified employees. Upon retirement, certified employees are paid one-third of their total sick leave accumulation up to their maximum accumulation. Upon retirement, classified employees are paid 25 percent of unused accumulated sick leave plus 20 percent of accumulated sick leave in excess of 120 days.

***B. Life Insurance***

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Epic Life Insurance Company. Each full-time employee received \$50,000 in coverage.

**NOTE 11– RISK MANAGEMENT**

***A. Comprehensive***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. For fiscal year 2020, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property, boiler and inland marine insurance. This risk policy has a \$1,000 deductible.

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

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

***B. Workers' Compensation Plan***

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 18). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

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**C. Medical, Vision, Dental and Prescription Insurance**

Medical, vision, dental and prescription insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of several School Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$58,611 reported in the internal service fund at June 30, 2020, is based on an estimate provided by Professional Risk Management (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2020	\$ 129,361	\$ 1,647,380	\$ (1,718,130)	\$ 58,611
2019	73,673	1,530,809	(1,475,121)	129,361

**NOTE 12– DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) 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/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting 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/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires 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 (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* 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.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

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

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

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

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The School District's contractually required contribution to SERS was \$263,476 for fiscal year 2020. Of this amount, \$8,900 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](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$628,437 for fiscal year 2020. Of this amount, \$110,981 is reported as an intergovernmental payable.

***Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions***

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.04894860%	0.03458550%	
Prior Measurement Date	0.04756970%	0.03785042%	
Change in Proportionate Share	0.00137890%	-0.00326492%	
Proportionate Share of the Net			
Pension Liability	\$ 2,928,681	\$ 7,648,375	\$ 10,577,056
Pension Expense	\$ 697,780	\$ 1,036,605	\$ 1,734,385

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

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

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	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 74,266	\$ 62,271	\$ 136,537
Changes of Assumptions	0	898,449	898,449
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	199,165	184,240	383,405
School District Contributions Subsequent to the Measurement Date	263,476	628,437	891,913
<b>Total Deferred Outflows of Resources</b>	<b>\$ 536,907</b>	<b>\$ 1,773,397</b>	<b>\$ 2,310,304</b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 0	\$ 33,109	\$ 33,109
Net Difference between Projected and Actual Earnings on Pension Plan Investments	37,591	373,808	411,399
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	505,727	505,727
<b>Total Deferred Inflows of Resources</b>	<b>\$ 37,591</b>	<b>\$ 912,644</b>	<b>\$ 950,235</b>

\$891,913 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 260,452	\$ 432,994	\$ 693,446
2022	(43,431)	51,616	8,185
2023	(2,500)	(171,197)	(173,697)
2024	21,319	(81,097)	(59,778)
	<b>\$ 235,840</b>	<b>\$ 232,316</b>	<b>\$ 468,156</b>

**Actuarial Assumptions - SERS**

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

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

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

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

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

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

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

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

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

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**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 4,104,129	\$ 2,928,681	\$ 1,942,920

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, are presented below:

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

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

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

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



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

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

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the School District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 11,177,250	\$ 7,648,375	\$ 4,661,004

**NOTE 13 – DEFINED BENEFITS OPEB PLANS**

See Note 12 for a description of the net OPEB liability (asset).

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

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of

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a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$29,676, which is reported as an intergovernmental payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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***Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.05038500%	0.03458600%	
Prior Measurement Date	0.04815100%	0.03785000%	
Change in Proportionate Share	<u>0.00223400%</u>	<u>-0.00326400%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 1,267,084	\$ (572,827)	
OPEB Expense	\$ 127,602	\$ (142,891)	\$ (15,289)

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 18,599	\$ 51,931	\$ 70,530
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	3,042	0	3,042
Changes of Assumptions	92,545	12,040	104,585
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	188,001	45,834	233,835
School District Contributions Subsequent to the Measurement Date	29,676	0	29,676
<b>Total Deferred Outflows of Resources</b>	<u>\$ 331,863</u>	<u>\$ 109,805</u>	<u>\$ 441,668</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 278,368	\$ 29,143	\$ 307,511
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	35,979	35,979
Changes of Assumptions	71,003	628,038	699,041
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	43,941	43,941
<b>Total Deferred Inflows of Resources</b>	<u>\$ 349,371</u>	<u>\$ 737,101</u>	<u>\$ 1,086,472</u>

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\$29,676 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 440	\$ (133,577)	\$ (133,137)
2022	(6,998)	(133,579)	(140,577)
2023	(6,105)	(119,159)	(125,264)
2024	(6,252)	(114,102)	(120,354)
2025	(16,940)	(121,198)	(138,138)
Thereafter	(11,329)	(5,681)	(17,010)
	\$ (47,184)	\$ (627,296)	\$ (674,480)

***Actuarial Assumptions - SERS***

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

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

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

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

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Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate	
Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

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

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

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

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

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

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**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

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

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,537,991	\$ 1,267,084	\$ 1,051,668
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,015,185	\$ 1,267,084	\$ 1,601,276

**Actuarial Assumptions – STRS**

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

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (488,794)	\$ (572,827)	\$ (643,479)

  

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (649,560)	\$ (572,827)	\$ (478,848)

**NOTE 14 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

GAAP Basis		\$	96,693
Net Adjustment for Revenue Accruals			546,629
Net Adjustment for Expenditure Accruals			(254,384)
Funds Budgeted Elsewhere**			(5,674)
Adjustment for Encumbrances			(16,951)
Budget Basis		\$	366,313



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

**NOTE 15 – CONTINGENCIES AND COMMITMENTS**

***A. Grants***

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

***B. Litigation***

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

***C. Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$16,951 in the general fund and \$185 in other nonmajor governmental funds.

***D. School District Foundation Funding***

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2020 are finalized. As a result, the net impact of the FTE adjustments on the fiscal year 2020 financial statements was a liability of the School District.

**NOTE 16 – SET-ASIDES**

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

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

**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2019	\$ 0
Current Year Set-Aside Requirement	150,599
Current Year Qualifying Expenditures	(605,872)
Totals	\$ 0
Balance Carried Forward to Fiscal Year 2021	\$ 0
Set-Aside Restricted Balance as of June 30, 2020	\$ 0

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

**NOTE 17 - JOINTLY GOVERNMENT ORGANIZATIONS**

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

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

The OME-RESA is one of 23 regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost effective accounting and other administrative and instructional computer services for participating Ohio school districts. The School District paid \$65,988 to OME-RESA during the fiscal year 2020.

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

***B. Columbiana County Career and Technical Center***

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

**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE 18 - PUBLIC ENTITY RISK POOL**

**A. *Ohio Association of School Business Officials***

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

**NOTE 19 - INSURANCE PURCHASING POOLS**

**A. *Jefferson Health Plan***

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

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

**B. *Schools of Ohio Risk Sharing Authority***

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

**NOTE 20 – FUND BALANCE**

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

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

**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2020*

	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 1,078,032	\$ 0	\$ 1,078,032
Capital Outlay	0	0	8,122	8,122
Student Activities	0	0	3,291	3,291
Facilities Maintenance	0	0	288,509	288,509
Other Purposes	0	0	152,490	152,490
<b>Total Restricted</b>	<b>0</b>	<b>1,078,032</b>	<b>452,412</b>	<b>1,530,444</b>
Assigned for:				
Public School Support	16,573	0	0	16,573
Encumbrances:				
Instruction	10,892	0	0	10,892
Support Services	6,059	0	0	6,059
<b>Total Assigned</b>	<b>33,524</b>	<b>0</b>	<b>0</b>	<b>33,524</b>
Unassigned	963,892	0	(94,686)	869,206
<b>Total Fund Balance</b>	<b>\$ 997,416</b>	<b>\$ 1,078,032</b>	<b>\$ 357,726</b>	<b>\$ 2,433,174</b>

**NOTE 21 – SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School District. Due to the dynamic environment and change in fiscal policies, the exact impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
School District's Proportion of the Net Pension Liability	0.04894860%	0.04756970%	0.04320810%	0.03604930%
School District's Proportionate Share of the Net Pension Liability	\$ 2,928,681	\$ 2,724,405	\$ 2,581,589	\$ 2,638,476
School District's Covered Payroll	\$ 1,936,904	\$ 1,145,741	\$ 1,679,714	\$ 1,201,786
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	151.20%	237.79%	153.69%	219.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%
<b><i>State Teachers Retirement System (STRS)</i></b>				
School District's Proportion of the Net Pension Liability	0.03458550%	0.03785042%	0.03768434%	0.03634591%
School District's Proportionate Share of the Net Pension Liability	\$ 7,648,375	\$ 8,322,458	\$ 8,951,996	\$ 12,166,072
School District's Covered Payroll	\$ 4,020,950	\$ 4,423,379	\$ 4,202,157	\$ 3,951,314
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.21%	188.15%	213.03%	307.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03353900%	0.03241900%	0.03241900%
\$ 1,913,768	\$ 1,640,707	\$ 1,927,854
\$ 1,009,697	\$ 942,027	\$ 1,003,324
189.54%	174.17%	192.15%
69.16%	71.70%	65.52%
0.03376254%	0.03392511%	0.03392511%
\$ 9,330,979	\$ 8,251,761	\$ 9,829,444
\$ 3,522,557	\$ 3,466,208	\$ 3,650,815
264.89%	238.06%	269.24%
72.10%	74.70%	69.30%

See accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 263,476	\$ 261,482	\$ 154,675	\$ 235,160
Contributions in Relation to the Contractually Required Contribution	<u>(263,476)</u>	<u>(261,482)</u>	<u>(154,675)</u>	<u>(235,160)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 1,881,971	\$ 1,936,904	\$ 1,145,741	\$ 1,679,714
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 628,437	\$ 562,933	\$ 619,273	\$ 588,302
Contributions in Relation to the Contractually Required Contribution	<u>(628,437)</u>	<u>(562,933)</u>	<u>(619,273)</u>	<u>(588,302)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 4,488,836	\$ 4,020,950	\$ 4,423,379	\$ 4,202,157
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.



<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 168,250	\$ 133,078	\$ 130,565	\$ 138,860	\$ 134,070	\$ 120,110
<u>(168,250)</u>	<u>(133,078)</u>	<u>(130,565)</u>	<u>(138,860)</u>	<u>(134,070)</u>	<u>(120,110)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,201,786	\$ 1,009,697	\$ 942,027	\$ 1,003,324	\$ 996,803	\$ 955,529
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$ 553,184	\$ 493,158	\$ 450,607	\$ 474,606	\$ 483,147	\$ 433,696
<u>(553,184)</u>	<u>(493,158)</u>	<u>(450,607)</u>	<u>(474,606)</u>	<u>(483,147)</u>	<u>(433,696)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,951,314	\$ 3,522,557	\$ 3,466,208	\$ 3,650,815	\$ 3,716,515	\$ 3,336,123
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
School District's Proportion of the Net OPEB Liability	0.05038500%	0.04815100%	0.04379490%	0.03646751%
School District's Proportionate Share of the Net OPEB Liability	\$ 1,267,084	\$ 1,335,825	\$ 1,175,340	\$ 1,039,459
School District's Covered Payroll	\$ 1,936,904	\$ 1,145,741	\$ 1,679,714	\$ 1,201,786
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	65.42%	116.59%	69.97%	86.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%
<b><i>State Teachers Retirement System (STRS)</i></b>				
School District's Proportion of the Net OPEB Liability/(Asset)	0.03458600%	0.03785000%	0.03768434%	0.03634591%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (572,827)	\$ (608,218)	\$ 1,470,304	\$ 1,943,789
School District's Covered Payroll	\$ 4,020,950	\$ 4,423,379	\$ 4,202,157	\$ 3,951,314
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-14.25%	-13.75%	34.99%	49.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset)	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution (1)	\$ 29,676	\$ 41,482	\$ 31,258	\$ 23,632
Contributions in Relation to the Contractually Required Contribution	<u>(29,676)</u>	<u>(41,482)</u>	<u>(31,258)</u>	<u>(23,632)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 2,121,281	\$ 1,936,904	\$ 1,140,156	\$ 1,679,714
OPEB Contributions as a Percentage of Covered Payroll (1)	1.40%	2.14%	2.74%	1.41%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 3,696,114	\$ 4,020,950	\$ 4,423,379	\$ 4,202,157
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 18,176	\$ 25,215	\$ 18,906	\$ 16,082	\$ 19,005	\$ 31,967
<u>(18,176)</u>	<u>(25,215)</u>	<u>(18,906)</u>	<u>(16,082)</u>	<u>(19,005)</u>	<u>(31,967)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,201,786	\$ 1,009,697	\$ 942,027	\$ 1,003,324	\$ 996,803	\$ 955,529
1.51%	2.50%	2.01%	1.60%	1.91%	3.35%
\$ 0	\$ 0	\$ 34,662	\$ 36,508	\$ 37,165	\$ 33,361
<u>0</u>	<u>0</u>	<u>(34,662)</u>	<u>(36,508)</u>	<u>(37,165)</u>	<u>(33,361)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,951,314	\$ 3,522,557	\$ 3,466,208	\$ 3,650,815	\$ 3,716,515	\$ 3,336,123
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 - Net Pension Liability**

***Changes in Assumptions - SERS***

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3.0 percent was used.

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

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

***Changes in Assumptions – STRS***

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

***Changes in Benefit Terms - SERS***

With the authority granted to the Board under SB 8, the Board enacted a three-year COLA delay for future benefit recipients commencing on or after April 1, 2018.

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

***Changes in Benefit Terms - STRS***

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

**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 2 - Net OPEB Liability (Asset)**

***Changes in Assumptions – SERS***

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

Municipal Bond Index Rate:

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

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

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare

Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare

Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

***Changes in Assumptions – STRS***

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

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

***Changes in Benefit Terms - SERS***

There have been no changes to the benefit provisions.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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***Changes in Benefit Terms – STRS***

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

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

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



December 27, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Local School District, Columbiana County, Ohio (the "School District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 27, 2020, in which we noted the financial impact of COVID-19 and the ensuing emergency measures will continue to impact subsequent periods of the School District.

***Internal Control over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2020-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the *Schedule of Findings and Questioned Costs* as item 2020-003 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2020-001.

### **School District's Response to Findings**

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

### **Purpose of this Report**

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio

December 27, 2020

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

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

***Report on Compliance for Each Major Federal Program***

We have audited Southern Local School District's, Columbiana County, Ohio (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Southern Local School District, Columbiana County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2020-004 and 2020-005. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying *Schedule of Findings and Questioned Costs* as items 2020-004 and 2020-005 that we consider to be significant deficiencies.

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

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio

**Southern Local School District**  
**Columbiana County, Ohio**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2020*

Federal Grantor/Pass Through Grantor Program Title	Grant Year	CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2019	84.010	\$ 21,279	\$ -
Title I Grants to Local Educational Agencies	2020	84.010	195,810	-
<i>Total Title I</i>			217,089	-
<i>Special Education Cluster:</i>				
Special Education Grants to States	2019	84.027	15,968	-
Special Education Grants to States	2020	84.027	100,671	-
<i>Special Education Grants to States Subtotal</i>			116,639	-
Special Education Preschool Grants	2019	84.173	4,924	
Special Education Preschool Grants	2020	84.173	4,290	-
<i>Special Education Preschool Grants Subtotal</i>			9,214	-
<i>Total Special Education Cluster</i>			125,853	-
Title VI-B - Rural and Low Income	2020	84.358	19,125	-
Title IV-A Student Support and Academic Enrichment	2019	84.424	6,620	-
Title IV-A Student Support and Academic Enrichment	2020	84.424	9,774	-
<i>Total Title IV-A Student Support and Academic Enrichment</i>			16,394	-
Improving Teacher Quality State Grants	2019	84.367	2,346	-
Improving Teacher Quality State Grants	2020	84.367	34,662	-
<i>Total Improving Teacher Quality State Grants</i>			37,008	-
<b>Total U.S. Department of Education</b>			<b>415,469</b>	<b>-</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2020	10.555	24,196	-
School Breakfast Program	2020	10.553	11,317	-
<i>Non-Cash Assistance Subtotal</i>			35,513	-
<i>Cash Assistance:</i>				
National School Lunch Program	2020	10.555	192,222	-
National School Lunch Program: COVID-19	2020	10.555	102,075	-
School Breakfast Program	2020	10.553	77,440	-
School Breakfast Program: COVID-19	2020	10.553	60,205	-
<i>Cash Assistance Subtotal</i>			431,942	-
<i>Total Child Nutrition Cluster</i>			467,455	-
<b>Total U.S. Department of Agriculture</b>			<b>467,455</b>	<b>-</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 882,924</b>	<b>\$ -</b>

See accompanying notes to this schedule.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Notes to the Schedule of Expenditures of Federal Awards*  
*2 CFR 200.510(b)(6)*  
*For the Fiscal Year Ended June 30, 2020*

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**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southern Local School District (the School District's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**Southern Local School District**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*2 CFR Section 200.515*  
*June 30, 2020*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):  Child Nutrition Cluster: School Breakfast Program School Lunch Program	CFDA #  10.553 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No



**Southern Local School District**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*June 30, 2020*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2020-001**

**Material Noncompliance - Ohio Revised Code Section 5705.41(D)**

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

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

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.
2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The School District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**Condition:** We noted 23 out of the 43 disbursements selected for testing were not certified prior to the obligation date in accordance with ORC 5705.41(D).

**Cause:** The School District has been making many changes to the requisition process over the past year. These changes contributed to delays in approving requisitions and creating purchase orders.

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

**Southern Local School District**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*June 30, 2020*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</b>
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**Finding Number: 2020-001 (continued)**

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

**Management Response:** See Corrective Action Plan.

**Finding Number: 2020-002**

**Material Weakness– Leave Accrual and Usage**

**Criteria:** Establishing effective internal controls over the payroll process, including leave accrual and usage, is the responsibility of management and an integral part of financial reporting.

**Condition:** It was noted that the School District does not have adequate internal controls in place to ensure all leave balances are accurately reflected in the payroll system. It was also noted that the School District does not have policies in place to address the payout of unused leave balances for non-union employees.

**Cause:** The School District uses an employee kiosk system to administer sick and vacation leave, however it does not have a process to reconcile leave accrual and usage between the kiosk and the payroll system. In addition, it was noted that there is no review process in place over employee accruals to ensure all employees are credited with the appropriate amount of leave hours.

**Effect:** Without adequate internal controls over the accumulation and usage of leave balances, there is an increased risk that employee leave balances in the payroll system may not be accurate. This could result in employees having inaccurate leave balances at the time of retirement.

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

**Management Response:** See Corrective Action Plan.

**Finding Number: 2020-003**

**Significant Deficiency – Accounts Payable**

**Criteria:** A critical step in financial reporting is compiling a complete and accurate listing of accounts payable at fiscal year-end. Internal controls should be implemented to ensure that outstanding obligations are properly identified and reported in the financial statements.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*June 30, 2020*

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS          REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</b>
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**Finding Number: 2020-003 (continued)**

**Condition:** During our testing of accounts payable, we identified a purchase in the amount of \$86,434 that was improperly excluded from accounts payable and capital assets at year-end. The misstatements were determined to be immaterial, however the financial statements were adjusted to correct for the misstatement.

**Cause:** The School District does not have sufficient controls in place to ensure all payables are properly identified.

**Effect:** There is an increased risk that accounts payable could be misstated on the financial statements without adequate controls over the accounts payable process.

**Recommendations:** We recommend the School District establish procedures to ensure all accounts payable are properly identified at year end. This process should include a review of checks issued subsequent to year end as well as a review of open purchase orders at year end to ensure all material liabilities have been accounted for.

**Management Response:** See Corrective Action Plan.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

<b>Finding Number</b>	2020-004
<b>CFDA Title and Number</b>	Child Nutrition Cluster – 10.553/10.555
<b>Federal Award Number / Year</b>	2020
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Significant Deficiency – Allowable Costs/Cost Principles/Noncompliance**

**Criteria:** 2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for 2 C.F.R. § 200.430(a) which provides, in part, that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities. In addition, 2 C.F.R. § 200.430(h) (8)(i)(1)(i-iii) states, in part, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; be incorporated into the official records of the non-Federal entity; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

**Condition:** We performed a test of controls over allowable costs/cost principles for payroll expenditures charged during fiscal year 2020. The School District was unable to provide us with after the fact payroll certification for four individuals selected for testing to support activities consistent with the grant.

**Southern Local School District**  
**Columbiana County, Ohio**  
*Schedule of Findings and Questioned Costs (Continued)*  
*2 CFR Section 200.515*  
*June 30, 2020*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)</b>
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**Finding Number: 2020-004 (continued)**

**Cause:** The School District did not implement policies and procedures to ensure complete and accurate standards for documentation of personnel expenses.

**Effect:** The result of this is an increased risk of non-compliance related to allowable costs and cost principles.

**Recommendation:** We recommend the School District establish procedures to ensure proper time and effort or after the fact payroll certification exists in accordance with the requirements above.

**School District’s Response:** See Corrective Action Plan.

<b>Finding Number</b>	2020-005
<b>CFDA Title and Number</b>	Child Nutrition Cluster – 10.553/10.555
<b>Federal Award Number / Year</b>	2020
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Significant Deficiency – Program Income/Noncompliance**

**Criteria:** 2 C.F.R. § 200.80 states “*Program income* means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in §200.307 paragraph (f). “ In addition, 2 C.F.R. § 200.307(e) establishes that program income must be used for the purposes and under the conditions of the Federal award.

**Condition:** In our testing of program income, we noted one day in which cafeteria sales did not reconcile between the daily cafeteria collections report and the bank deposit slip. It was also noted that this issue caused program income posted to the food service fund to be inaccurate for that day.

**Cause:** There was a variance of \$14 identified in the School District’s process for daily reporting and depositing, however the cause of the variance was not identified by management and therefore not corrected.

**Effect:** Program income not properly identified and used in accordance with 2 C.F.R. § 200.307(e).

**Recommendation:** We recommend the School District implement procedures to ensure the daily cafeteria sales report reconciles with both the bank deposit and the posting to the revenue ledger on a regular basis. All variances identified should be investigated to determine cause and corrected as necessary to ensure all program income is appropriately accounted for.

**School District’s Response:** See Corrective Action Plan.

# Southern Local School District

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

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

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



**Southern Local School District**  
**Columbiana County, Ohio**  
*Corrective Action Plan*  
*2 CFR Section 200.511(c)*  
*For the Fiscal Year Ended June 30, 2020*

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	We will review the current procedures in place to approve requisitions and create purchase orders and procedures will be implemented to ensure compliance with ORC 5705.41(D).	June 30, 2021	Greg Sabbato, Treasurer
2020-002	Procedures will be implemented over the payroll process to ensure all leave balances are accurately reflected in the payroll system. Procedures will be implemented to reconcile the leave kiosk with the payroll system and develop procedures for payout of non-union employees.	June 30, 2021	Greg Sabbato, Treasurer
2020-003	Procedures will be implemented to ensure that outstanding obligations are properly identified and reported in the financial statements.	June 30, 2021	Greg Sabbato, Treasurer
2020-004	Procedures will be implemented over the payroll process to ensure after the fact documentation is maintained to support payment with federal funds.	June 30, 2021	Greg Sabbato, Treasurer
2020-005	Procedures will be implemented to reconcile the daily cafeteria sales to both the bank deposit and the posting to the revenue ledger.	June 30, 2021	Greg Sabbato, Treasurer

# Southern Local School District

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Salineville, Ohio 43945  
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**Adam Loudin, Assistant Principal**  
Southern Local Jr./Sr. High School 330-679-2305  
**Rich Wright, Elementary Principal**  
Southern Local Elementary School 330-679-2305  
**Emily Brinker, Assistant Principal/Curriculum Director**  
Southern Local Elementary School 330-679-2305  
**Kristy Sampson, Federal Programs Coordinator 330-679-2343**  
**Laura Krulik, Director of Special Services 330-679-2305**



**Southern Local School District**  
**Columbiana County, Ohio**

*Schedule of Prior Audit Findings*  
*2 CFR Section 200.511(b)*  
*June 30, 2020*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2019-001	Material Weakness – Approval of Invoices (Initially reported in fiscal year 2018)	Partially Corrected	The School District implemented procedures to approve invoices prior to payment. Downgraded to Management Letter comment.
2019-002	Material Noncompliance – Posting of Estimated Resources to the Accounting System (Initially reported in fiscal year 2016)	Fully Corrected	The School District implemented procedures to monitor estimated resources in the system.
2019-003	Material Noncompliance – Ohio Revised Code Section 5705.41 (D)	Not Corrected	Issue was not corrected. Repeated as finding 2020-001.
2019-004	Significant Deficiency – Vacation Accrual and Usage (Initially reported in fiscal year 2018)	Not Corrected	Issue was not corrected. Upgraded to Material Weakness as finding 2020-002.

# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHERN LOCAL SCHOOL DISTRICT**

**COLUMBIANA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 1/26/2021**

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

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