



OHIO AUDITOR OF STATE
KEITH FABER



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

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southington Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 17, 2022

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The discussion and analysis of Southington Local School District's (the School District) financial performance is presented by the School District's management and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2021 include:

- Net position decreased in fiscal year 2021. Significant factors affecting this change on net position include depreciation outpacing current year additions resulting in a decrease in capital assets and incorporating changes to the net pension liability.
- The School District is committed to meeting the academic needs of our students by providing them with equipment and facilities to compete in a global environment.
- The School District's enrollment decreased from the prior fiscal to 427 students in fiscal year 2021. Certified staff increased from 41 in fiscal year 2020 to 42 in fiscal year 2021.
- The School District had additions to capital assets consisting of security cameras, thermal screening units, projectors, water heaters, Chromebooks and a laminator.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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

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

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

Reporting the School District's Most Significant Funds

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

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

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1, found on the following page, provides a comparison of the School District's Net Position for the current fiscal year compared to the prior fiscal year.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

(Table 1)
Net Position - Governmental Activities

	2021	2020	Change
Assets			
Current and Other Assets	\$7,627,947	\$7,467,743	\$160,204
Capital Assets, Net	15,086,030	15,950,310	(864,280)
Net OPEB Asset	343,700	322,008	21,692
<i>Total Assets</i>	<u>23,057,677</u>	<u>23,740,061</u>	<u>(682,384)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	348,125	568,159	(220,034)
Pension	1,104,857	1,159,182	(54,325)
OPEB	199,693	158,629	41,064
<i>Total Deferred Outflows of Resources</i>	<u>1,652,675</u>	<u>1,885,970</u>	<u>(233,295)</u>
Liabilities			
Current and Other Liabilities	605,990	732,997	127,007
Long Term Liabilities:			
Due Within One Year	366,841	373,516	6,675
Due in More than One Year			
Net Pension Liability	6,071,874	5,500,081	(571,793)
Net OPEB Liability	456,013	514,676	58,663
Other Amounts	5,521,232	6,259,742	738,510
<i>Total Liabilities</i>	<u>13,021,950</u>	<u>13,381,012</u>	<u>359,062</u>
Deferred Inflows of Resources			
Property Taxes	2,075,476	1,951,818	(123,658)
Pension	89,887	457,584	367,697
OPEB	681,927	588,349	(93,578)
<i>Total Deferred Inflows of Resources</i>	<u>2,847,290</u>	<u>2,997,751</u>	<u>150,461</u>
Net Position			
Investment in Capital Assets	10,229,051	10,402,101	(173,050)
Restricted:			
Capital Projects	195,304	197,104	(1,800)
Debt Service	397,643	649,853	(252,210)
Unclaimed Monies	84	74	10
Other Purposes	575,389	417,226	158,163
Unrestricted (Deficit)	<u>(2,556,359)</u>	<u>(2,419,090)</u>	<u>(137,269)</u>
<i>Total Net Position</i>	<u><u>\$8,841,112</u></u>	<u><u>\$9,247,268</u></u>	<u><u>(\$406,156)</u></u>

The net pension liability (NPL) is one of the largest liability reported by the School District at June 30, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
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benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the School District, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$8,841,112 in fiscal year 2021 and \$9,247,268 in fiscal year 2020.

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

Total assets decreased due to current year depreciation outpacing the additions in the current fiscal year. This decrease was offset by an increase in property taxes receivable that was largely a result of the change in assessed property valuations. Total liabilities decreased as a result of the continued pay-down on outstanding bond principal coupled with refunding debt to take advantage of lower interest rates. Net position decreased for these reasons along with the changes in the net pension liability and net OPEB asset/liability and the deferred outflows and deferred inflows of resources associated with these liabilities, which caused program expenses to increase.

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 2021 and 2020.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

(Table 2)
Change in Net Position - Governmental Activities

	2021	2020	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$725,518	\$860,853	(\$135,335)
Operating Grants, Contributions and Interest	1,089,551	717,707	371,844
<i>Total Program Revenues</i>	<u>1,815,069</u>	<u>1,578,560</u>	<u>236,509</u>
General Revenues			
Property Taxes	2,100,731	1,991,128	109,603
Grants and Entitlements not Restricted to Specific Programs	3,821,968	3,851,706	(29,738)
Investment Earnings	10,225	61,178	(50,953)
Unrestricted Contributions	9,676	1,011	8,665
Miscellaneous	53,659	34,244	19,415
<i>Total General Revenues</i>	<u>5,996,259</u>	<u>5,939,267</u>	<u>56,992</u>
<i>Total Revenues</i>	<u>7,811,328</u>	<u>7,517,827</u>	<u>293,501</u>
Program Expenses			
Instruction:			
Regular	4,337,409	3,905,847	(431,562)
Special	770,478	798,190	27,712
Vocational	29,440	26,966	(2,474)
Support Services:			
Pupil	342,591	357,046	14,455
Instructional Staff	95,972	143,567	47,595
Board of Education	46,682	44,128	(2,554)
Administration	512,942	601,495	88,553
Fiscal	311,484	297,298	(14,186)
Business	16,079	20,495	4,416
Operation and Maintenance of Plant	574,477	518,295	(56,182)
Pupil Transportation	359,293	343,223	(16,070)
Central	81,732	60,483	(21,249)
Operation of Non-Instructional Services	0	100	100
Food Service Operations	220,163	234,964	14,801
Extracurricular Activities	318,947	353,204	34,257
Interest and Fiscal Charges	199,795	306,975	107,180
<i>Total Expenses</i>	<u>8,217,484</u>	<u>8,012,276</u>	<u>(205,208)</u>
Change in Net Position	(406,156)	(494,449)	88,293
<i>Net Position Beginning of Year</i>	<u>9,247,268</u>	<u>9,741,717</u>	<u>(494,449)</u>
<i>Net Position End of Year</i>	<u>\$8,841,112</u>	<u>\$9,247,268</u>	<u>(\$406,156)</u>

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Governmental Activities

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

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

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

Program revenues increased for governmental activities in fiscal year 2021. Operating grants increased due to the School District seeking out restricted grant monies as additional sources of operating revenues along with new COVID pandemic related grant awards. General revenues increased in fiscal year 2021 resulting from increased assessed valuation for taxable property within the School District's territory.

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to OPEB in the prior year. Increased amortization of the net difference between projected and actual earnings on investment resulted in changes to OPEB pension expense increasing from (\$81,462) in fiscal year 2020 to (\$14,793) in fiscal year 2021.

The *Statement of Activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2021 compared to 2020. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$5,137,327	\$3,935,985	\$4,731,003	\$3,552,742
Support Services:				
Pupil and Instructional Staff	438,563	283,057	500,613	420,199
Board of Education, Administration, Fiscal Services, Business and Central	968,919	953,766	1,023,899	1,017,727
Operation and Maintenance of Plant	574,477	456,142	518,295	480,613
Pupil Transportation	359,293	357,355	343,223	343,223
Operation of Non-Instructional Services	0	0	100	100
Food Service Operations	220,163	(70,728)	234,964	36,164
Extracurricular Activities	318,947	287,043	353,204	275,973
Interest and Fiscal Charges	199,795	199,795	306,975	306,975
<i>Total Expenses</i>	<u>\$8,217,484</u>	<u>\$6,402,415</u>	<u>\$8,012,276</u>	<u>\$6,433,716</u>

The dependence upon general revenues for governmental activities is apparent as they account for a majority of the total cost of services in fiscal year 2021. The community, as a whole, is by far the primary support for Southington Local School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$7,685,226 and expenditures of \$7,405,686. The general fund had an increase in fund balance which can be attributed to revenues outpacing expenditures as the School District was able to maintain a surplus in the general fund while continuing to offer the programs the community desires. The bond retirement fund had a decrease in fund balance due to the payments on debt exceeding the levied property taxes for the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2021, the School District amended its general fund budget several times. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but provide flexibility for program based decision and management.

Actual revenues were lower than the final certificate as the School District's actual funding sources fell slightly below the estimation. Final budgeted revenues were higher than original budgeted revenues as a clear picture of where revenues would end materialized allowing the Board of Education to make adjustment to the budget. Actual expenditures were lower than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

Southington Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Capital Assets and Debt Administration

Capital Assets

All capital assets, except land and construction in progress, are reported net of depreciation. For fiscal year 2021, the net decrease in capital assets during the fiscal year resulted from annual depreciation, offset by additions consisting of security cameras, thermal screening units, projectors, water heaters, Chromebooks and a laminator. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2021, this amounted to \$92,397. See Note 9 to the basic financial statements for additional information on the School District's capital assets and Note 20 for additional information regarding required set-asides.

Debt

At June 30, 2021, the School District had general obligation bonds outstanding in the amount of \$5,629,517. These bonds were issued for the School District's portion of the Ohio School Facilities Commission project. During fiscal year 2016, the School District refunded a portion of the 2008 classroom facilities improvement bonds to take advantage of lower interest rates. These bonds will be fully repaid in fiscal year 2024. During fiscal year 2021, the School District refunded a portion of the 2016 classroom facilities improvement refunding bonds to take advantage of lower interest rates. These bonds will be fully repaid in fiscal year 2036. The overall debt margin of the School District as of June 30, 2021 was \$2,037,176 with an unvoted debt margin of \$75,145. Please see Note 11 of the notes to the basic financial statements for more information about the School District's long-term obligations.

Challenges and Opportunities for the Future

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

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

Contacting the School District's Financial Management

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

Basic Financial Statements

Southington Local School District

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,995,370
Accounts Receivable	8,498
Intergovernmental Receivable	247,608
Prepaid Items	8,473
Property Taxes Receivable	2,367,998
Nondepreciable Capital Assets	224,230
Depreciable Capital Assets, Net	14,861,800
Net OPEB Asset (See Note 13)	343,700
	<hr/>
<i>Total Assets</i>	<i>23,057,677</i>
Deferred Outflows of Resources	
Deferred Charge on Refunding	348,125
Pension	1,104,857
OPEB	199,693
	<hr/>
<i>Total Deferred Outflows of Resources</i>	<i>1,652,675</i>
Liabilities	
Accounts Payable	24,014
Contracts Payable	4,309
Accrued Wages and Benefits	452,987
Intergovernmental Payable	113,783
Accrued Interest Payable	10,897
Long-Term Liabilities:	
Due Within One Year	366,841
Due In More Than One Year	
Net Pension Liability (See Note 12)	6,071,874
Net OPEB Liability (See Note 13)	456,013
Other Amounts	5,521,232
	<hr/>
<i>Total Liabilities</i>	<i>13,021,950</i>
Deferred Inflows of Resources	
Property Taxes	2,075,476
Pension	89,887
OPEB	681,927
	<hr/>
<i>Total Deferred Inflows of Resources</i>	<i>2,847,290</i>
Net Position	
Net Investment in Capital Assets	10,229,051
Restricted for:	
Capital Projects	195,304
Debt Service	397,643
Unclaimed Monies	84
Other Purposes	575,389
Unrestricted (Deficit)	(2,556,359)
	<hr/>
<i>Total Net Position</i>	<i>\$8,841,112</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$4,337,409	\$567,649	\$191,525	(\$3,578,235)
Special	770,478	110,746	322,901	(336,831)
Vocational	29,440	4,875	3,646	(20,919)
Support Services:				
Pupil	342,591	6,056	136,654	(199,881)
Instructional Staff	95,972	0	12,796	(83,176)
Board of Education	46,682	0	0	(46,682)
Administration	512,942	0	0	(512,942)
Fiscal	311,484	0	5,415	(306,069)
Business	16,079	0	0	(16,079)
Operation and Maintenance of Plant	574,477	0	118,335	(456,142)
Pupil Transportation	359,293	0	1,938	(357,355)
Central	81,732	0	9,738	(71,994)
Food Service Operations	220,163	4,334	286,557	70,728
Extracurricular Activities	318,947	31,858	46	(287,043)
Interest and Fiscal Charges	199,795	0	0	(199,795)
Totals	\$8,217,484	\$725,518	\$1,089,551	(6,402,415)
General Revenues				
Property Taxes Levied for:				
				1,550,785
				462,187
				87,759
Grants and Entitlements not Restricted				
				3,821,968
				10,225
				9,676
				53,659
				<u>5,996,259</u>
				Change in Net Position (406,156)
				<u>Net Position Beginning of Year 9,247,268</u>
				<u>Net Position End of Year \$8,841,112</u>

See accompanying notes to the basic financial statements

Southington Local School District

Balance Sheet

Governmental Funds

June 30, 2021

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,931,637	\$343,506	\$720,143	\$4,995,286
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	84	0	0	84
Accounts Receivable	8,498	0	0	8,498
Intergovernmental Receivable	17,331	0	230,277	247,608
Interfund Receivable	95,444	0	0	95,444
Prepaid Items	8,473	0	0	8,473
Property Taxes Receivable	1,757,592	513,342	97,064	2,367,998
<i>Total Assets</i>	<u>\$5,819,059</u>	<u>\$856,848</u>	<u>\$1,047,484</u>	<u>\$7,723,391</u>
Liabilities				
Accounts Payable	\$9,972	\$0	\$14,042	\$24,014
Contracts Payable	3,359	0	950	4,309
Accrued Wages and Benefits	401,934	0	51,053	452,987
Interfund Payable	0	0	95,444	95,444
Intergovernmental Payable	102,581	0	11,202	113,783
<i>Total Liabilities</i>	<u>517,846</u>	<u>0</u>	<u>172,691</u>	<u>690,537</u>
Deferred Inflows of Resources				
Property Taxes	1,542,453	448,308	84,715	2,075,476
Unavailable Revenue	222,233	59,371	224,316	505,920
<i>Total Deferred Inflows of Resources</i>	<u>1,764,686</u>	<u>507,679</u>	<u>309,031</u>	<u>2,581,396</u>
Fund Balances				
Nonspendable	8,557	0	0	8,557
Restricted	0	349,169	596,449	945,618
Committed	8,987	0	0	8,987
Assigned	142,023	0	0	142,023
Unassigned (Deficit)	3,376,960	0	(30,687)	3,346,273
<i>Total Fund Balances</i>	<u>3,536,527</u>	<u>349,169</u>	<u>565,762</u>	<u>4,451,458</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,819,059</u>	<u>\$856,848</u>	<u>\$1,047,484</u>	<u>\$7,723,391</u>

See accompanying notes to the basic financial statements

Southington Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2021

Total Governmental Fund Balances	\$4,451,458
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,086,030
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:	
Delinquent Property Taxes	267,049
Grants	213,042
Tuition and Fees	<u>25,829</u>
Total	505,920
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(10,897)
The net pension liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset/liabilities and related inflows/outflows are not reported in governmental funds:	
Net OPEB Asset	343,700
Deferred Outflows - Pension	1,104,857
Deferred Outflows - OPEB	199,693
Net Pension Liability	(6,071,874)
Net OPEB Liability	(456,013)
Deferred Inflows - Pension	(89,887)
Deferred Inflows - OPEB	<u>(681,927)</u>
Total	(5,651,451)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Deferred Charge on Refunding	348,125
General Obligation Bonds	(5,629,517)
Compensated Absences	(238,834)
Special Termination Benefits	<u>(19,722)</u>
Total	<u>(5,539,948)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$8,841,112</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,553,549	\$466,319	\$88,485	\$2,108,353
Intergovernmental	3,945,588	74,917	748,766	4,769,271
Interest	10,225	0	1,809	12,034
Tuition and Fees	580,850	0	0	580,850
Extracurricular Activities	9,614	0	22,244	31,858
Contributions and Donations	9,676	0	3,846	13,522
Charges for Services	105,289	0	10,390	115,679
Miscellaneous	53,659	0	0	53,659
<i>Total Revenues</i>	<u>6,268,450</u>	<u>541,236</u>	<u>875,540</u>	<u>7,685,226</u>
Expenditures				
Current:				
Instruction:				
Regular	3,118,082	0	166,883	3,284,965
Special	623,867	0	129,947	753,814
Vocational	26,649	0	0	26,649
Support Services:				
Pupil	293,219	0	40,700	333,919
Instructional Staff	56,084	0	33,017	89,101
Board of Education	43,246	3,250	0	46,496
Administration	489,446	0	0	489,446
Fiscal	320,332	9,651	4,211	334,194
Business	16,079	0	0	16,079
Operation and Maintenance of Plant	356,871	0	219,564	576,435
Pupil Transportation	314,190	0	1,938	316,128
Central	74,784	0	9,738	84,522
Food Services Operations	0	0	214,453	214,453
Extracurricular Activities	130,602	0	174,559	305,161
Debt Service:				
Principal Retirement	0	275,000	0	275,000
Interest and Fiscal Charges	0	118,658	0	118,658
Capital Appreciation Bond Accretion	0	65,000	0	65,000
Issuance Costs	0	75,666	0	75,666
<i>Total Expenditures</i>	<u>5,863,451</u>	<u>547,225</u>	<u>995,010</u>	<u>7,405,686</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>404,999</u>	<u>(5,989)</u>	<u>(119,470)</u>	<u>279,540</u>
Other Financing Sources (Uses)				
General Obligation Refunding Bonds Issued	0	4,935,000	0	4,935,000
Payment to Refunded Bond Escrow Agent	0	(5,180,755)	0	(5,180,755)
Transfers In	1,600	0	155,164	156,764
Transfers Out	(155,164)	0	(1,600)	(156,764)
<i>Total Other Financing Sources (Uses)</i>	<u>(153,564)</u>	<u>(245,755)</u>	<u>153,564</u>	<u>(245,755)</u>
<i>Net Change in Fund Balances</i>	251,435	(251,744)	34,094	33,785
<i>Fund Balances Beginning of Year</i>	<u>3,285,092</u>	<u>600,913</u>	<u>531,668</u>	<u>4,417,673</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,536,527</u></u>	<u><u>\$349,169</u></u>	<u><u>\$565,762</u></u>	<u><u>\$4,451,458</u></u>

See accompanying notes to the basic financial statements

Southington Local School District

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

Net Change in Fund Balances - Total Governmental Funds	\$33,785
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
Capital Outlay Additions	45,850
Current Year Depreciation	<u>(908,817)</u>
Total	(862,967)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(1,313)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	(7,622)
Grants	136,593
Tuition and Fees	<u>(2,869)</u>
Total	126,102
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
Principal Retirement	275,000
Payment to Refunded Bond Escrow Agent	5,180,755
Capital Appreciation Bond Accretion	<u>65,000</u>
Total	5,520,755
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds:	
Accrued Interest on Bonds	3,666
Amortization of Accretion	(161,081)
Amortization of Bond Premium	542,067
Amortization of Deferred Charge on Refunding	<u>(465,789)</u>
Total	(81,137)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pension	431,903
OPEB	<u>13,048</u>
Total	444,951
Except for the amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset/liabilities are reported as pension/OPEB expense in the statement of activities:	
Pension	(690,324)
OPEB	<u>14,793</u>
Total	(675,531)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated Absences	14,851
Special Termination Benefits	<u>9,348</u>
Total	24,199
Other financing sources, such as the general obligation refunding bonds in the governmental funds, increase long-term liabilities in the statement of net position.	<u>(4,935,000)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$406,156)</u></u>

See accompanying notes to the basic financial statements

Southington Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,418,585	\$1,541,492	\$1,542,387	\$895
Intergovernmental	3,866,667	4,011,027	3,968,017	(43,010)
Interest	60,108	10,315	10,225	(90)
Tuition and Fees	601,498	566,664	567,318	654
Contributions and Donations	74	1,300	1,300	0
Charges for Services	104,937	105,351	105,289	(62)
Miscellaneous	17,946	50,701	52,821	2,120
<i>Total Revenues</i>	<u>6,069,815</u>	<u>6,286,850</u>	<u>6,247,357</u>	<u>(39,493)</u>
Expenditures				
Current:				
Instruction:				
Regular	3,133,521	3,255,246	3,214,038	41,208
Special	702,865	667,801	667,801	0
Vocational	31,165	27,837	27,837	0
Support Services:				
Pupil	328,671	309,231	309,231	0
Instructional Staff	82,403	74,439	68,872	5,567
Board of Education	46,723	43,459	43,459	0
Administration	489,078	512,022	462,565	49,457
Fiscal	251,675	280,719	266,164	14,555
Business	21,094	20,253	20,253	0
Operation and Maintenance of Plant	567,382	543,355	466,286	77,069
Pupil Transportation	341,821	347,516	347,516	0
Central	63,004	64,061	64,061	0
Extracurricular Activities	116,683	124,258	118,536	5,722
<i>Total Expenditures</i>	<u>6,176,085</u>	<u>6,270,197</u>	<u>6,076,619</u>	<u>193,578</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(106,270)</u>	<u>16,653</u>	<u>170,738</u>	<u>154,085</u>
Other Financing Sources (Uses)				
Advances In	0	209,500	210,250	750
Advances Out	(215,551)	(161,078)	(295,644)	(134,566)
Transfers In	1,600	1,600	1,600	0
Transfers Out	(157,232)	(172,164)	(155,164)	17,000
<i>Total Other Financing Sources (Uses)</i>	<u>(371,183)</u>	<u>(122,142)</u>	<u>(238,958)</u>	<u>(116,816)</u>
<i>Net Change in Fund Balance</i>	<u>(477,453)</u>	<u>(105,489)</u>	<u>(68,220)</u>	<u>37,269</u>
<i>Fund Balance Beginning of Year</i>	3,638,541	3,638,541	3,638,541	0
Prior Year Encumbrances Appropriated	<u>208,252</u>	<u>208,252</u>	<u>208,252</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,369,340</u>	<u>\$3,741,304</u>	<u>\$3,778,573</u>	<u>\$37,269</u>

See accompanying notes to the basic financial statements

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's one instructional/support facility staffed by 22 classified employees, 42 certified employees and 3 administrative employees who provide services to 427 students and other community members.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

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

Fund Accounting

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

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

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Measurement Focus

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

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

Basis of Accounting

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, grants and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13)

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

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

Cash and Cash Equivalents

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

During fiscal year 2021, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$10,225, of which \$753 was assigned from other School District funds.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Restricted Assets

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

Interfund Balances

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

Capital Assets

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

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Compensated Absences

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

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

Accrued Liabilities and Long-term Obligations

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Internal Activity

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Net Position

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

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

Fund Balance

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

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

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

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

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

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.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Deferred Charge on Refunding

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

Bond Premiums

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

Estimates

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

Budgetary Data

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Note 3 – Fund Balances

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

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Monies	\$84	\$0	\$0	\$84
Prepaid Items	8,473	0	0	8,473
<i>Total Nonspendable</i>	8,557	0	0	8,557
<i>Restricted for</i>				
Food Service Operations	0	0	158,098	158,098
Scholarships and Awards	0	0	57,281	57,281
Local Grants	0	0	2,312	2,312
Student Activities and Wellness	0	0	12,994	12,994
Athletics	0	0	41,156	41,156
Classroom Facilities Maintenance	0	0	102,487	102,487
Alumni	0	0	26,817	26,817
Debt Service Payments	0	349,169	0	349,169
Capital Improvements	0	0	195,304	195,304
<i>Total Restricted</i>	0	349,169	596,449	945,618
<i>Committed to</i>				
Ohio School Board Association	3,250	0	0	3,250
Severance	5,737	0	0	5,737
<i>Total Committed</i>	8,987	0	0	8,987
<i>Assigned to</i>				
Instruction and Extracurricular Activities	35,752	0	0	35,752
Purchases on Order:				
Instruction	36,323	0	0	36,323
Support Services	69,948	0	0	69,948
<i>Total Assigned</i>	142,023	0	0	142,023
<i>Unassigned (Deficit)</i>	3,376,960	0	(30,687)	3,346,273
<i>Total Fund Balances</i>	\$3,536,527	\$349,169	\$565,762	\$4,451,458

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 4 - Budgetary Basis of Accounting

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

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

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

	General
GAAP Basis	\$251,435
Net Adjustment for Revenue Accruals	10,456
Advances In	210,250
Beginning Unrecorded Interest	1,253
Net Adjustment for Expenditure Accruals	(124,726)
Advances Out	(295,644)
Perspective Difference:	
Uniform School Supply	2,175
Public School Support	(6,023)
Encumbrances	(117,396)
Budget Basis	(\$68,220)

Note 5 – Accountability

At June 30, 2021, the student wellness and success, ESSER, title VI-B, title I and the miscellaneous federal grants special revenue funds had deficit fund balances of \$3,933, \$5,366, \$13,404, \$6,783 and \$1,201, respectively.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2019, were levied after April 1, 2020 and are collected in 2021 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2021 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

The amount available as an advance at June 30, 2021, was \$18,735 in the general fund, \$1,075 in the classroom facilities special revenue fund and \$5,663 in the bond retirement debt service fund. The amount available as an advance at June 30, 2020, was \$7,573 in the general fund, \$456 in the classroom facilities special revenue fund and \$2,414 in the bond retirement debt service fund.

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural and Other Real Estate	\$63,737,680	95.92 %	\$72,103,100	95.95 %
Public Utility Personal	2,707,720	4.08	3,041,420	4.05
Total	<u>\$66,445,400</u>	<u>100.00 %</u>	<u>\$75,144,520</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$50.50		\$49.35	

Note 8 - Receivables

Receivables at June 30, 2021, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds. All receivables, except delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
ESSER Grant	\$185,773
Title VI-B Grant	17,486
Foundation Adjustment	17,331
Federal Lunch Reimbursements	17,235
Title I Grant	8,897
Coronavirus Relief Grant	886
Total	<u>\$247,608</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Nondepreciable Capital Assets				
Land	\$224,230	\$0	\$0	\$224,230
Construction in Progress	75,923	12,647	(88,570)	0
<i>Total Nondepreciable Capital Assets</i>	<u>300,153</u>	<u>12,647</u>	<u>(88,570)</u>	<u>224,230</u>
Depreciable Capital Assets				
Land and Improvements	3,197,618	0	0	3,197,618
Buildings and Improvements	17,010,184	106,751	0	17,116,935
Furniture, Fixtures and Equipment	2,810,534	15,022	(3,030)	2,822,526
Vehicles	611,599	0	0	611,599
<i>Total Depreciable Capital Assets</i>	<u>23,629,935</u>	<u>121,773</u>	<u>(3,030)</u>	<u>23,748,678</u>
Less: Accumulated Depreciation				
Land and Improvements	(1,277,724)	(156,395)	0	(1,434,119)
Buildings and Improvements	(4,738,680)	(541,898)	0	(5,280,578)
Furniture, Fixtures and Equipment	(1,495,521)	(164,164)	1,717	(1,657,968)
Vehicles	(467,853)	(46,360)	0	(514,213)
<i>Total Accumulated Depreciation</i>	<u>(7,979,778)</u>	<u>(908,817) *</u>	<u>1,717</u>	<u>(8,886,878)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>15,650,157</u>	<u>(787,044)</u>	<u>(1,313)</u>	<u>14,861,800</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$15,950,310</u>	<u>(\$774,397)</u>	<u>(\$89,883)</u>	<u>\$15,086,030</u>

* Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$817,445
Special	1,414
Support Services	
Pupils	106
Instructional Staff	8,278
Administration	5,368
Operation and Maintenance of Plant	17,393
Pupil Transportation	41,432
Central	54
Food Service Operations	7,656
Extracurricular Activities	9,671
Total Depreciation Expense	<u>\$908,817</u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 10 – Contingencies

Grants

The School District received financial assistance from federal and state 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2021.

School Foundation

In fiscal year 2021, School District foundation funding was 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, additional ODE adjustments for fiscal year 2021 are finalized.

Litigation

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

Note 11 – Long-Term Obligations

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Fiscal Year of Maturity</u>
2015 Classroom Facilities Refunding Bonds:			
Serial Bonds	1.00 - 4.00%	\$5,880,000	2022
Capital Appreciation Bonds	Various	85,000	2024
2021 Classroom Facilities Refunding Bonds:			
Serial Bonds	2.14%	\$4,935,000	2036

The changes in the School District’s long-term obligations during fiscal year 2021 were as follows:

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	Balance 6/30/20	Additions	Deductions	Balance 6/30/21	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2015 Classroom Facilities Refunding Bonds					
Serial Bonds	\$5,280,000	\$0	\$5,200,000	\$80,000	\$80,000
Capital Appreciation Bonds	70,000	0	10,000	60,000	25,000
Accretion	328,332	161,081	65,000	424,413	240,000
Premium on Bonds	672,171	0	542,067	130,104	0
Total 2015 Classroom Facilities Bonds	6,350,503	161,081	5,817,067	694,517	345,000
2021 Classroom Facilities Refunding Bonds					
Serial Bonds	0	4,935,000	0	4,935,000	0
Total General Obligation Bonds	6,350,503	5,096,081	5,817,067	5,629,517	345,000
<i>Other Long-Term Obligations:</i>					
Net Pension Liability:					
STRS	4,299,509	432,406	0	4,731,915	0
SERS	1,200,572	139,387	0	1,339,959	0
Total Net Pension Liability	5,500,081	571,793	0	6,071,874	0
Net OPEB Liability:					
SERS	514,676	0	58,663	456,013	0
Compensated Absences	253,685	9,317	24,168	238,834	12,493
Special Termination Benefits	29,070	0	9,348	19,722	9,348
Total Other Long-Term Obligations	6,297,512	581,110	92,179	6,786,443	21,841
Total Long-Term Liabilities	\$12,648,015	\$5,677,191	\$5,909,246	\$12,415,960	\$366,841

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

On September 9, 2015, the School District issued \$5,965,000 in general obligation bonds to refund a portion of the 2008 general obligation classroom facilities bonds. The general obligation bonds included serial and capital appreciation (deep discount) bonds in the amounts \$5,880,000 and \$85,000, respectively. The bonds were issued for a twenty year period with a final maturity at December 1, 2035. During fiscal year 2021, \$4,935,000 of the serial bonds were refunded to take advantage of lower interest rates.

The capital appreciation bonds were originally sold at a discount of \$860,000, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2024. The maturity amount of the outstanding capital appreciation bonds at June 30, 2021 is \$790,000. The accretion recorded for fiscal year 2021 was \$161,080, for a total outstanding bond liability of 484,413 at June 30, 2021.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The refunding bonds were sold at a premium of \$881,783. Net proceeds of \$6,710,291 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various bonds.

On January 13, 2021, the School District issued \$4,935,000 in general obligation serial bonds to refund a portion of the 2015 general obligation refunding bonds. The serial bonds were issued at an interest rate of 2.14 percent. The bonds were issued for a 25 year period with final maturity on December 1, 2035. The bonds will be retired through the bond retirement debt service fund.

Net proceeds of \$5,180,755 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$4,935,000 of these bonds is considered defeased and the liability for the refunded bonds has been removed from the School District's financial statements. As of June 30, 2021, \$4,935,000 of the defeased bonds are still outstanding.

The refunding will result in the recognition of an accounting loss of \$245,755, and the School District decreased its aggregated debt service payments by \$682,144 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$589,033.

The overall debt margin of the School District as of June 30, 2021 was \$2,037,176 with an unvoted debt margin of \$75,145. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2021 are as follows:

	Serial Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Accretion
2022	\$80,000	\$130,759	\$25,000	\$240,000
2023	97,000	104,571	20,000	245,000
2024	97,000	102,495	15,000	245,000
2025	367,000	97,530	0	0
2026	375,000	89,591	0	0
2027-2031	2,042,000	321,000	0	0
2032-2036	1,957,000	106,477	0	0
Total	<u>\$5,015,000</u>	<u>\$952,423</u>	<u>\$60,000</u>	<u>\$730,000</u>

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)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021

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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$112,522 for fiscal year 2021. Of this amount \$25,729 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

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

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

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

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The School District's contractually required contribution to STRS was \$319,381 for fiscal year 2021. Of this amount \$34,957 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02025880%	0.01955624%	
Prior Measurement Date	0.02006580%	0.01944212%	
Change in Proportionate Share	<u>0.00019300%</u>	<u>0.00011412%</u>	
Proportionate Share of the Net Pension Liability	\$1,339,959	\$4,731,915	\$6,071,874
Pension Expense	\$134,499	\$555,825	\$690,324

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$2,603	\$10,618	\$13,221
Changes of assumptions	0	254,013	254,013
Net difference between projected and actual earnings on pension plan investments	85,060	230,114	315,174
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	7,741	82,805	90,546
School District contributions subsequent to the measurement date	<u>112,522</u>	<u>319,381</u>	<u>431,903</u>
Total Deferred Outflows of Resources	<u>\$207,926</u>	<u>\$896,931</u>	<u>\$1,104,857</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$30,257	\$30,257
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>16,733</u>	<u>42,897</u>	<u>59,630</u>
Total Deferred Inflows of Resources	<u>\$16,733</u>	<u>\$73,154</u>	<u>\$89,887</u>

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\$431,903 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, 2022. 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
2022	(\$11,955)	\$206,661	\$194,706
2023	28,541	56,767	85,308
2024	35,455	133,999	169,454
2025	26,630	106,969	133,599
Total	\$78,671	\$504,396	\$583,067

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$1,835,581	\$1,339,959	\$924,124

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Asset Class	Target Allocation	Long-Term Expected 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 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, but 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.

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Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$6,737,422	\$4,731,915	\$3,032,413

Note 13 – Defined Benefit OPEB Plans

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

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$13,048.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$13,048 for fiscal year 2021. Of this amount \$13,048 is reported as an intergovernmental payable.

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. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2020, 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:

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	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02098220%	0.01955624%	
Prior Measurement Date	0.02046600%	0.01944212%	
Change in Proportionate Share	<u>0.00051620%</u>	<u>0.00011412%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$456,013	\$0	\$456,013
Net OPEB (Asset)	\$0	(\$343,700)	(\$343,700)
OPEB Expense	(\$266)	(\$14,527)	(\$14,793)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$5,990	\$22,023	\$28,013
Changes of assumptions	77,734	5,673	83,407
Net difference between projected and actual earnings on OPEB plan investments	5,139	12,045	17,184
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	30,643	27,398	58,041
School District contributions subsequent to the measurement date	<u>13,048</u>	<u>0</u>	<u>13,048</u>
Total Deferred Outflows of Resources	<u>\$132,554</u>	<u>\$67,139</u>	<u>\$199,693</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$231,914	\$68,460	\$300,374
Changes of assumptions	11,485	326,457	337,942
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>30,870</u>	<u>12,741</u>	<u>43,611</u>
Total Deferred Inflows of Resources	<u>\$274,269</u>	<u>\$407,658</u>	<u>\$681,927</u>

\$13,048 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 or an increase to the net OPEB asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Southington Local School District
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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	(\$30,129)	(\$82,845)	(\$112,974)
2023	(29,758)	(74,692)	(104,450)
2024	(29,818)	(71,834)	(101,652)
2025	(32,898)	(79,001)	(111,899)
2026	(24,806)	(15,563)	(40,369)
Thereafter	(7,354)	(16,584)	(23,938)
Total	(\$154,763)	(\$340,519)	(\$495,282)

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, 2020, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$558,147	\$456,013	\$374,814

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$359,075	\$456,013	\$585,642

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$299,042)	(\$343,700)	(\$381,592)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$379,240)	(\$343,700)	(\$300,408)

Note 14 - Other Employee Benefits

Compensated Absences

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

Life Insurance Benefits

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

Health Insurance Benefits

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

Retirement Incentive

The School District's Board of Education offered employees participation in a Retirement Incentive program in fiscal year 2020. Participation was open to teachers who were eligible for service retirement under the State Teachers Retirement System (STRS) pursuant to O.R.C. 3307.38 and any applicable STRS regulations along with being at least 60 years of age by October 1, 2020. The Board of Education will pay an annual supplement to the retiree for single group rate coverage provided through STRS to be applied to the retiree's premium share until their 65th birthday. For fiscal year 2021, the retirement incentive remaining balance is \$19,722. The retirement incentive will be paid out over a five year period.

Note 15 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2021, the School District has addressed these various types of risk by purchasing a comprehensive insurance policy through Schools of Ohio Risk Sharing Authority (Note 17).

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The School District maintains fleet insurance in the amount of \$15,000,000 for any one accident or loss. The School District maintains replacement cost insurance on buildings and contents in the amount of \$31,417,339.

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

Workers' Compensation

For fiscal year 2021, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP. The Board exercises total control over the operations of the GRP including budgeting, appropriating, contracting and designating management.

Note 16 - Jointly Governed Organizations

North East Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Southington Local School District paid \$44,567 to NEOMIN during fiscal year 2021.

The Governing Board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Southington Local School District was not represented on the Governing Board during fiscal year 2021. The degree of control exercised by any participating school district is limited to its representation on the Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446-4603.

Trumbull Career and Technical Center (Center) The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the Center during fiscal year 2021. To obtain financial information write to the Trumbull Career and Technical Center, Cody Holecko, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

The State Support Team Region 5 is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Southington Local School District did not make any contributions to the State Support Team Region 5 during fiscal year 2021. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

Note 17 – Public Entity Risk Sharing Pools

Insurance Purchasing Pool

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

Risk Sharing Pool

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

Note 18 – Encumbrances

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

General	\$117,396
Other Governmental Funds	<u>186,848</u>
Total	<u><u>\$304,244</u></u>

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 19 – Interfund Transfers and Balances

Interfund Balances

Interfund balances at June 30, 2021, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Other Governmental Funds	
Student Activities	\$1,170
Athletics and Music	300
ESSER	90,192
Title VI-B	9
Title I	3,773
<i>Total</i>	<u><u>\$95,444</u></u>

The interfund receivable and payable between the general fund and the other governmental funds is due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. These loans are expected to be repaid in one year.

Interfund Transfers

The general fund transferred \$1,270, \$1,600 and \$152,294 to the scholarship, alumni class reunion and the athletics and music special revenue funds, respectively, to help provide funding for fiscal year 2021 operation. The student activities special revenue fund transferred \$1,600 to the general fund to close out a cost center.

Note 20 - Set Aside Calculation

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

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

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	Capital Improvements
Set-Aside Balance as of June 30, 2020	\$0
Current Year Set-aside Requirement	92,397
OSFC Debt Service Payments	(458,658)
Qualifying Disbursements	(8,541)
Total	(\$374,802)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2021	\$0

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

Note 21 – Change in Accounting Principle

For fiscal year 2021, the School District implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2019-1*. These changes were incorporated in the School District’s 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 22 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School District’s investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 23 – Subsequent Event

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$538,536 in revenues and expenditures/expenses related to these programs. Also during fiscal year 2021, the school district reported \$495,627 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Southington Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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Required Supplementary Information

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

	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.02025880%	0.02006580%	0.02164310%
School District's Proportionate Share of the Net Pension Liability	\$1,339,959	\$1,200,572	\$1,239,539
School District's Covered Payroll	\$699,657	\$696,689	\$718,778
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.52%	172.33%	172.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.02012540%	0.02058610%	0.02090300%	0.02178700%	0.02178700%
\$1,202,448	\$1,506,713	\$1,192,741	\$1,102,628	\$1,295,603
\$678,271	\$641,543	\$632,253	\$636,153	\$616,023
177.28%	234.86%	188.65%	173.33%	210.32%
69.50%	62.98%	69.16%	71.70%	65.52%

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

	2021	2020	2019
School District's Proportion of the Net OPEB Liability	0.02098220%	0.02046600%	0.02192110%
School District's Proportionate Share of the Net OPEB Liability	\$456,013	\$514,676	\$608,150
School District's Covered Payroll	\$699,657	\$696,689	\$718,778
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	65.18%	73.87%	84.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2018	2017
0.02037180%	0.02082630%
\$546,727	\$593,627
\$678,271	\$641,543
80.61%	92.53%
12.46%	11.49%

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

	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.01955624%	0.01944212%	0.01935246%
School District's Proportionate Share of the Net Pension Liability	\$4,731,915	\$4,299,509	\$4,255,171
School District's Covered Payroll	\$2,360,271	\$2,291,671	\$2,205,921
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	200.48%	187.61%	192.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.01988876%	0.01871906%	0.02033617%	0.02024431%	0.02024431%
\$4,724,617	\$6,265,834	\$5,620,321	\$4,924,117	\$5,865,576
\$2,207,107	\$1,974,221	\$2,103,243	\$2,086,185	\$2,119,477
214.06%	317.38%	267.22%	236.03%	276.75%
75.30%	66.80%	72.10%	74.70%	69.30%

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

	2021	2020	2019
School District's Proportion of the Net OPEB (Asset) Liability	0.01955624%	0.01944212%	0.01935246%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$343,700)	(\$322,008)	(\$310,974)
School District's Covered Payroll	\$2,360,271	\$2,291,671	\$2,205,921
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-14.56%	-14.05%	-14.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	182.10%	174.70%	176.00%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2018	2017
0.01988876%	0.01871906%
\$775,987	\$1,001,100
\$2,207,107	\$1,974,221
35.16%	50.71%
47.10%	37.30%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$112,522	\$97,952	\$94,053	\$97,035
Contributions in Relation to the Contractually Required Contribution	<u>(112,522)</u>	<u>(97,952)</u>	<u>(94,053)</u>	<u>(97,035)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$803,729	\$699,657	\$696,689	\$718,778
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	13,048	13,289	15,518	15,278
Contributions in Relation to the Contractually Required Contribution	<u>(13,048)</u>	<u>(13,289)</u>	<u>(15,518)</u>	<u>(15,278)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.62%</u>	<u>1.90%</u>	<u>2.23%</u>	<u>2.13%</u>
Total Contributions as a Percentage of Covered Payroll (1)	<u>15.62%</u>	<u>15.90%</u>	<u>15.73%</u>	<u>15.63%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$94,958	\$89,816	\$83,331	\$86,792	\$85,258	\$83,825
(94,958)	(89,816)	(83,331)	(86,792)	(85,258)	(83,825)
\$0	\$0	\$0	\$0	\$0	\$0
\$678,271	\$641,543	\$632,253	\$636,153	\$616,023	\$623,236
14.00%	14.00%	13.18%	13.64%	13.84%	13.45%
10,868	10,386	16,359	12,091	11,783	12,854
(10,868)	(10,386)	(16,359)	(12,091)	(11,783)	(12,854)
\$0	\$0	\$0	\$0	\$0	\$0
1.60%	1.62%	2.59%	1.90%	1.91%	2.06%
15.60%	15.62%	15.77%	15.54%	15.75%	15.51%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$319,381	\$330,438	\$320,834	\$308,829
Contributions in Relation to the Contractually Required Contribution	<u>(319,381)</u>	<u>(330,438)</u>	<u>(320,834)</u>	<u>(308,829)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,281,293	\$2,360,271	\$2,291,671	\$2,205,921
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$308,995	\$276,391	\$294,454	\$271,204	\$275,532	\$276,741
(308,995)	(276,391)	(294,454)	(271,204)	(275,532)	(276,741)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,207,107	\$1,974,221	\$2,103,243	\$2,086,185	\$2,119,477	\$2,128,777
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
\$0	\$0	\$0	\$20,862	\$21,195	\$21,288
0	0	0	(20,862)	(21,195)	(21,288)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Southington Local School District, Ohio
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions - STRS

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

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

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

Southington Local School District, Ohio

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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

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

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2021	2.45 percent
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 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Southington Local School District, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021*

Changes in Benefit Terms – STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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

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

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southington Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2022, in which we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 17, 2022

OHIO AUDITOR OF STATE KEITH FABER



SOUTHINGTON LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/22/2022

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