

**Springboro Community City School District**



**Basic Financial Statements**

**June 30, 2018**





# Dave Yost • Auditor of State

Board of Education  
Springboro Community City School District  
1685 South Main Street  
Springboro, Ohio 45066

We have reviewed the *Independent Auditor's Report* of the Springboro Community City School District, Warren County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 17, 2018

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Springboro Community City School District

### 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 Springboro Community City School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis Matter**

As discussed in Note 20 to the financial statements, during the year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 that management's discussion and analysis, budgetary comparison schedules, pension information, and post employment benefit information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 5, 2018

**Springboro Community City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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The discussion and analysis of Springboro Community City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased \$30,929,124 which represents a 43% increase from 2017.
- General revenues accounted for \$58,347,261 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,577,900 or 13% of total revenues of \$66,925,161.
- The School District had \$35,996,037 in expenses related to governmental activities; \$8,577,900 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$58,347,261 were also used to provide for these programs.

**Overview of the Financial Statements**

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

The *Government-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Bond Retirement Fund are the major funds of the School District.

**Government-Wide Financial Statements**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows*, and *liabilities and deferred inflows* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Springboro Community City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the School District is presented as Governmental Activities – All of the School District's programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the School District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

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

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

**The School District as a Whole**

As stated previously, the Statement of Net Position looks at the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

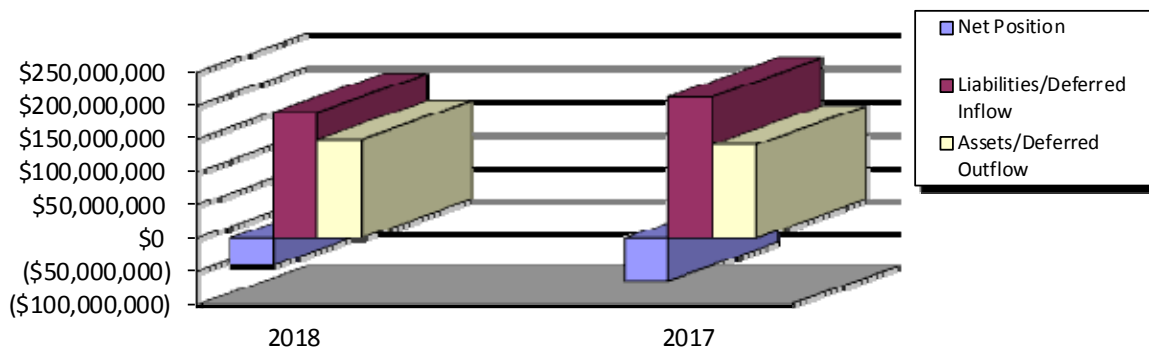
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**Springboro Community City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

**Table 1  
Net Position**

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	\$56,051,220	\$52,468,823
Capital Assets	71,213,707	71,609,281
<b>Total Assets</b>	<b>127,264,927</b>	<b>124,078,104</b>
Deferred Outflows of Resources:		
Deferred Charge on Refunding	537,106	634,762
OPEB	928,064	198,537
Pension	20,505,018	16,390,614
<b>Total Deferred Outflows of Resources</b>	<b>21,970,188</b>	<b>17,223,913</b>
Liabilities:		
Other Liabilities	6,357,725	6,197,326
Long-Term Liabilities	150,891,279	177,042,578
<b>Total Liabilities</b>	<b>157,249,004</b>	<b>183,239,904</b>
Deferred Inflows of Resources:		
Property Taxes	29,123,335	29,823,169
Revenue in Lieu of Taxes	22,782	9,578
OPEB	1,582,578	0
Pension	2,098,926	0
<b>Total Deferred Inflows of Resources</b>	<b>32,827,621</b>	<b>29,832,747</b>
Net Position:		
Net Investment in Capital Assets	(2,090,673)	(4,719,335)
Restricted	10,670,284	8,826,699
Unrestricted	(49,421,121)	(75,877,998)
<b>Total Net Position</b>	<b>(\$40,841,510)</b>	<b>(\$71,770,634)</b>



**Springboro Community City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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The net pension liability (NPL) is one of the largest single liabilities reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

**Springboro Community City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$55,014,309) to (\$71,770,634).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School District's liabilities and deferred inflows exceeded assets and deferred outflows by \$40,841,510.

At year-end, capital assets represented 56% of total assets. Capital assets include land, land improvements, construction in progress, buildings and improvements, equipment, and vehicles. Net investment in capital assets at June 30, 2018, was (\$2,090,673). These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$10,670,284 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets are consistent when compared to the prior year. Long-term liabilities decreased due to a decrease in the Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2018 and 2017.

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**Springboro Community City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

**Table 2  
Changes in Net Position**

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services	\$4,173,238	\$3,927,232
Operating Grants, Contributions	3,954,662	4,163,359
Capital Grants and Contributions	450,000	0
General Revenues:		
Property Taxes	38,820,119	39,297,658
Grants and Entitlements	18,684,512	17,925,872
Investment Earnings	45,395	37,019
Other	797,235	663,335
Total Revenues	<u>66,925,161</u>	<u>66,014,475</u>
Program Expenses:		
Instruction	17,435,411	33,724,923
Support Services:		
Pupil and Instructional Staff	4,120,351	5,798,974
School Administrative, General		
Administration, Fiscal and Business	2,465,308	4,801,504
Operations and Maintenance	3,362,634	4,452,475
Pupil Transportation	2,297,359	4,027,844
Central	383,542	544,365
Operation of Non-Instructional Services	1,179,273	1,859,736
Extracurricular Activities	1,488,016	2,203,662
Interest and Fiscal Charges	<u>3,264,143</u>	<u>3,146,962</u>
Total Program Expenses	<u>35,996,037</u>	<u>60,560,445</u>
Change in Net Position	30,929,124	5,454,030
Net Position - Beginning of Year, Restated	<u>(71,770,634)</u>	<u>N/A</u>
Net Position - End of Year	<u><u>(\$40,841,510)</u></u>	<u><u>(\$71,770,634)</u></u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$198,537 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,945,658. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**Springboro Community City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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Total 2018 operating expenses under GASB 75	\$35,996,037
Negative OPEB expense under GASB 75	1,945,658
2018 contractually required contribution	159,625
Adjusted 2018 operating expenses	38,101,320
Total 2017 operating expenses under GASB 45	60,560,445
Change in operating expenses not related to OPEB	(\$22,459,125)

The School District revenues are mainly from two sources. Property taxes levied for general and debt service, and grants and entitlements comprised 86% of the School District's revenues for governmental activities.

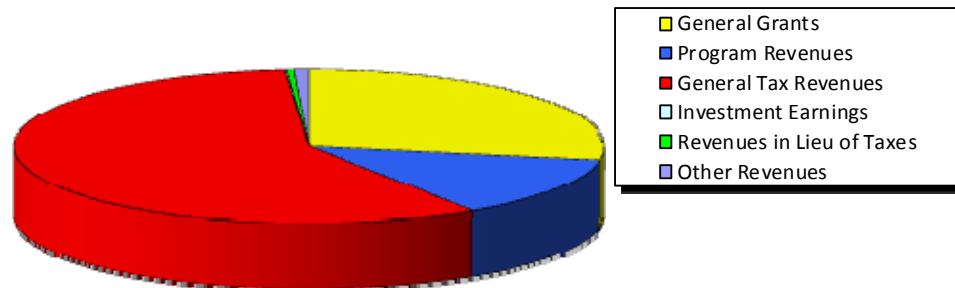
The School District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner 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.

Thus Ohio 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. Property taxes made up 58% of revenue for governmental activities for the School District in fiscal year 2018.

**Governmental Activities  
Revenue Sources**

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	2018	Percentage
General Grants	\$18,684,512	27.90%
Program Revenues	8,577,900	12.80%
General Tax Revenues	38,820,119	58.00%
Investment Earnings	45,395	0.10%
Revenues in Lieu of Taxes	234,919	0.40%
Other Revenues	562,316	0.80%
Total Revenue Sources	\$66,925,161	100.00%



**Springboro Community City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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Instruction comprises 48% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses including interest and fiscal charges were 17%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenues increased from the prior year due to an increase in capital grants and contributions. General revenues increased due to an increase in grants revenue.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. These services are mainly supported by tax revenue and unrestricted State entitlements.

**Table 3  
Governmental Activities**

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	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$17,435,411	\$33,724,923	(\$13,310,832)	(\$30,020,392)
Support Services:				
Pupil and Instructional Staff	4,120,351	5,798,974	(3,916,036)	(5,630,823)
School Administrative, General				
Administration, Fiscal and Business	2,465,308	4,801,504	(2,251,790)	(4,601,522)
Operations and Maintenance	3,362,634	4,452,475	(2,539,576)	(3,634,700)
Pupil Transportation	2,297,359	4,027,844	(2,151,234)	(3,862,869)
Central	383,542	544,365	(372,742)	(533,565)
Operation of Non-Instructional Services	1,179,273	1,859,736	562,268	36,261
Extracurricular Activities	1,488,016	2,203,662	(174,052)	(1,075,282)
Interest and Fiscal Charges	3,264,143	3,146,962	(3,264,143)	(3,146,962)
Total Expenses	<u>\$35,996,037</u>	<u>\$60,560,445</u>	<u>(\$27,418,137)</u>	<u>(\$52,469,854)</u>

**The School District’s Funds**

The School District has two major governmental funds: the General Fund and Bond Retirement Fund. Assets of the General Fund comprised \$40,411,442 (72%), the Bond Retirement Fund comprised \$13,258,249 (24%) of the total \$56,057,307 governmental funds’ assets.

**General Fund:** Fund balance at June 30, 2018 was \$9,395,200 including \$7,622,425 of unassigned balance. The School District had an increase in fund balance of \$2,434,277 mainly due to an increase in intergovernmental revenue.

**Bond Retirement Fund:** Fund balance at June 30, 2018 was \$8,864,214 with an increase in fund balance of \$1,686,078. The increase in fund balance is due to an increase in intergovernmental revenue in 2018.

**Springboro Community City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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**General Fund Budgeting Highlights**

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

The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the School District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$53,398,038, compared to original budget estimate of \$51,543,146, while the actual revenue had a difference of \$53,000 from the final budget basis revenues due to an overestimation of taxes and intergovernmental revenue.

The School District’s unobligated cash balance for the General Fund was \$9,964,571.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2018, the School District had \$71,213,707 invested in land, land improvements, construction in progress, buildings and improvements, equipment and vehicles. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

**Table 4  
Capital Assets at Year End  
(Net of Depreciation)**

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	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$1,421,691	\$1,421,691
Construction in Progress	2,920,363	0
Land Improvements	332,472	2,702,973
Buildings and Improvements	62,370,169	64,036,920
Equipment	1,823,368	1,756,034
Vehicles	2,345,644	1,691,663
Total Net Capital Assets	<u>\$71,213,707</u>	<u>\$71,609,281</u>

Total Net Capital Assets decreased in 2018 as compared to 2017 because depreciation expense was more than current year additions. See Note 6 to the Basic Financial Statements for further details on the School District’s capital assets.

**Debt**

At June 30, 2018, the School District had \$74,499,922 in debt outstanding, \$5,159,805 due within one year. Table 5 summarizes total debt outstanding.

**Springboro Community City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

**Table 5  
Outstanding Debt at Year End**

	2018	2017
General Obligation Bonds Payable:		
2007 School Improvement Refunding Bonds	\$42,610,000	\$43,890,000
Premium	3,648,729	3,891,977
2013 School Bus Acquisition Bond	0	215,000
Premium	0	4,248
2015 Refunding Bonds		
Current Interest	9,080,000	10,990,000
Capital Appreciation	294,054	294,054
Accreted Interest	658,436	381,397
Premium	675,658	798,505
2018 Turf Field	371,000	0
2015 HB264 COP Bonds	4,365,000	4,560,000
Premium	93,095	98,737
Capital Leases		
2002 OASBO Pool Lease	4,819,000	5,034,000
2004 OASBO Pool Lease Athletic Fields	1,164,000	1,314,000
2004 OASB Pool Lease Chillers	191,000	249,000
2004 OASBO Pool Lease Buses	702,000	730,000
2002 OASBO Pool Lease Buses	719,000	753,000
2004 OASBO Pool Lease MVH	2,713,000	2,837,000
2008 Bus Lease	15,126	29,584
2007 Bus Lease	0	127,076
2016 CC Modular Lease	276,820	322,329
2017 Bus Lease	445,130	658,425
2017 Dell Computer Lease	85,421	166,443
2018 Bus Lease	702,704	0
2018 Musco Lighting Project	181,468	0
2018 CC Modular Lease	689,281	0
Total Outstanding Debt at Year End	<u>\$74,499,922</u>	<u>\$77,344,775</u>

See Note 11 to the Basic Financial Statements for further details on the School District's obligations.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the CFO, at Springboro Community City School District, 1685 South Main Street, Springboro, Ohio 45066.



Springboro Community City School District  
Statement of Net Position  
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$19,832,874
Receivables (Net):	
Taxes	35,256,735
Accounts	604,361
Interest	15,911
Intergovernmental	224,945
Prepays	70,484
Inventory	45,910
Nondepreciable Capital Assets	1,754,163
Depreciable Capital Assets, Net	<u>69,459,544</u>
 Total Assets	 <u>127,264,927</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	537,106
OPEB	20,505,018
	<u>928,064</u>
 Total Deferred Outflows of Resources	 <u>21,970,188</u>
Liabilities:	
Accounts Payable	67,280
Accrued Wages and Benefits	5,679,682
Contracts Payable	332,472
Accrued Interest Payable	278,291
Long-Term Liabilities:	
Due Within One Year	5,390,747
Due In More Than One Year	
Net Pension Liability	61,432,757
Net OPEB Liability	13,996,527
Other Amounts	<u>70,071,248</u>
 Total Liabilities	 <u>157,249,004</u>
Deferred Inflows of Resources:	
Property Taxes	29,123,335
OPEB	1,582,578
Revenue in Lieu of Taxes	22,782
Pension	<u>2,098,926</u>
 Total Deferred Inflows of Resources	 <u>32,827,621</u>
Net Position:	
Net Investment in Capital Assets	(2,090,673)
Restricted for:	
District Managed Student Activity	358,862
Federal Grants	199,257
Food Service	862,393
Capital Projects	486,393
Debt Service	8,759,231
Other Purposes	4,148
Unrestricted	<u>(49,421,121)</u>
 Total Net Position	 <u>(\$40,841,510)</u>

See accompanying notes to the basic financial statements.

Springboro Community City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$11,447,959	\$1,221,550	\$641,286	\$0	(\$9,585,123)
Special	4,918,093	47,409	2,207,830	0	(2,662,854)
Vocational	0	0	6,504	0	6,504
Other	1,069,359	0	0	0	(1,069,359)
<b>Support Services:</b>					
Pupil	1,825,660	0	64,217	0	(1,761,443)
Instructional Staff	2,294,691	0	140,098	0	(2,154,593)
General Administration	351,361	0	0	0	(351,361)
School Administration	1,312,375	0	213,518	0	(1,098,857)
Fiscal	765,567	0	0	0	(765,567)
Business	36,005	0	0	0	(36,005)
Operations and Maintenance	3,362,634	823,058	0	0	(2,539,576)
Pupil Transportation	2,297,359	0	146,125	0	(2,151,234)
Central	383,542	0	10,800	0	(372,742)
Operation of Non-Instructional Services	1,179,273	1,217,257	524,284	0	562,268
Extracurricular Activities	1,488,016	863,964	0	450,000	(174,052)
Interest and Fiscal Charges	3,264,143	0	0	0	(3,264,143)
<b>Totals</b>	<b>\$35,996,037</b>	<b>\$4,173,238</b>	<b>\$3,954,662</b>	<b>\$450,000</b>	<b>(27,418,137)</b>
<b>General Revenues:</b>					
Property Taxes Levied for:					
					32,173,637
					6,646,482
					18,684,512
					234,919
					27,030
					45,395
					535,286
<b>Total General Revenues</b>					<b>58,347,261</b>
<b>Change in Net Position</b>					<b>30,929,124</b>
<b>Net Position - Beginning of Year, Restated</b>					<b>(71,770,634)</b>
<b>Net Position - End of Year</b>					<b>(\$40,841,510)</b>

See accompanying notes to the basic financial statements.

Springboro Community City School District  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$10,270,414	\$7,853,307	\$1,709,153	\$19,832,874
<b>Receivables (Net):</b>				
Taxes	29,851,793	5,404,942	0	35,256,735
Accounts	175,102	0	429,259	604,361
Interest	15,911	0	0	15,911
Intergovernmental	22,782	0	202,163	224,945
Interfund	6,087	0	0	6,087
Prepays	69,353	0	1,131	70,484
Inventory	0	0	45,910	45,910
<b>Total Assets</b>	<b>40,411,442</b>	<b>13,258,249</b>	<b>2,387,616</b>	<b>56,057,307</b>
<b>Liabilities:</b>				
Accounts Payable	53,575	0	13,705	67,280
Accrued Wages and Benefits	5,567,248	0	112,434	5,679,682
Compensated Absences	17,630	0	8,042	25,672
Contracts Payable	0	0	332,472	332,472
Interfund Payable	0	0	6,087	6,087
<b>Total Liabilities</b>	<b>5,638,453</b>	<b>0</b>	<b>472,740</b>	<b>6,111,193</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	25,353,535	4,394,035	0	29,747,570
Grants and Other Taxes	22,782	0	98,653	121,435
Accounts Receivable	0	0	427,500	427,500
Investment Earnings	1,472	0	0	1,472
<b>Total Deferred Inflows of Resources</b>	<b>25,377,789</b>	<b>4,394,035</b>	<b>526,153</b>	<b>30,297,977</b>
<b>Fund Balances:</b>				
Nonspendable	69,353	0	1,131	70,484
Restricted	0	8,864,214	1,393,679	10,257,893
Assigned	1,703,422	0	0	1,703,422
Unassigned	7,622,425	0	(6,087)	7,616,338
<b>Total Fund Balances</b>	<b>9,395,200</b>	<b>8,864,214</b>	<b>1,388,723</b>	<b>19,648,137</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$40,411,442</b>	<b>\$13,258,249</b>	<b>\$2,387,616</b>	<b>\$56,057,307</b>

See accompanying notes to the basic financial statements.

Springboro Community City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2018

Total Governmental Fund Balance \$19,648,137

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

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

Capital assets used in the operation of Governmental Funds 71,213,707

Other long-term assets are not available to pay for current-  
 period expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	\$624,235	
Interest	1,472	
Intergovernmental	98,653	
Other Receivables	<u>427,500</u>	
		1,151,860

In the statement of net position interest payable is accrued when  
 incurred; whereas, in the governmental funds interest is  
 reported as a liability only when it will require the use of  
 current financial resources.

(278,291)

Some liabilities reported in the statement of net position do not  
 require the use of current financial resources and, therefore,  
 are not reported as liabilities in governmental funds.

Compensated Absences (936,401)

Deferred charge on refunding associated with long-term liabilities  
 that are not reported in the funds.

537,106

Deferred outflows and inflows or resources related to pensions and OPEB  
 are applicable to future periods and, therefore, are not  
 reported in the funds.

Deferred outflows of resources related to pensions	20,505,018	
Deferred inflows of resources related to pensions	(2,098,926)	
Deferred outflows of resources related to OPEB	928,064	
Deferred inflows of resources related to OPEB	<u>(1,582,578)</u>	
		17,751,578

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

Net Pension Liability	(61,432,757)	
Net OPEB Liability	(13,996,527)	
Other Amounts	<u>(74,499,922)</u>	
		<u>(149,929,206)</u>

Net Position of Governmental Activities (\$40,841,510)

See accompanying notes to the basic financial statements.

Springboro Community City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$32,274,271	\$6,656,994	\$0	\$38,931,265
Tuition and Fees	940,929	0	0	940,929
Investment Earnings	45,497	0	0	45,497
Intergovernmental	20,334,965	807,660	1,401,911	22,544,536
Extracurricular Activities	415,166	0	776,828	1,191,994
Charges for Services	1,036,123	0	1,217,257	2,253,380
Revenue in Lieu of Taxes	234,919	0	0	234,919
Gifts and Donations	0	0	22,500	22,500
Other Revenues	166,491	0	153,434	319,925
<b>Total Revenues</b>	<b>55,448,361</b>	<b>7,464,654</b>	<b>3,571,930</b>	<b>66,484,945</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	22,206,163	0	4,642	22,210,805
Special	7,913,323	0	763,015	8,676,338
Other	1,069,359	0	0	1,069,359
<b>Support Services:</b>				
Pupil	3,321,109	0	64,687	3,385,796
Instructional Staff	2,801,251	0	102,289	2,903,540
General Administration	359,622	0	0	359,622
School Administration	3,300,522	0	213,168	3,513,690
Fiscal	1,092,773	74,822	0	1,167,595
Business	123,380	0	0	123,380
Operations and Maintenance	4,093,512	0	362,828	4,456,340
Pupil Transportation	4,057,103	0	5,360	4,062,463
Central	548,431	0	10,242	558,673
Operation of Non-Instructional Services	6,564	0	1,536,182	1,542,746
Extracurricular Activities	1,084,355	0	855,846	1,940,201
Capital Outlay	357,819	0	415,590	773,409
<b>Debt Service:</b>				
Principal Retirement	1,500,364	3,189,996	0	4,690,360
Interest and Fiscal Charges	771,061	2,513,758	0	3,284,819
<b>Total Expenditures</b>	<b>54,606,711</b>	<b>5,778,576</b>	<b>4,333,849</b>	<b>64,719,136</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>841,650</b>	<b>1,686,078</b>	<b>(761,919)</b>	<b>1,765,809</b>
<b>Other Financing Sources (Uses):</b>				
Issuance of Capital Lease	1,573,453	0	0	1,573,453
Proceeds from Sale of Capital Assets	30,252	0	0	30,252
Issuance of Long-Term Capital-Related Debt	0	0	371,000	371,000
Transfers In	0	0	11,078	11,078
Transfers (Out)	(11,078)	0	0	(11,078)
<b>Total Other Financing Sources (Uses)</b>	<b>1,592,627</b>	<b>0</b>	<b>382,078</b>	<b>1,974,705</b>
<b>Net Change in Fund Balance</b>	<b>2,434,277</b>	<b>1,686,078</b>	<b>(379,841)</b>	<b>3,740,514</b>
<b>Fund Balance - Beginning of Year</b>	<b>6,960,923</b>	<b>7,178,136</b>	<b>1,768,564</b>	<b>15,907,623</b>
<b>Fund Balance - End of Year</b>	<b>\$9,395,200</b>	<b>\$8,864,214</b>	<b>\$1,388,723</b>	<b>\$19,648,137</b>

See accompanying notes to the basic financial statements.

Springboro Community City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds \$3,740,514

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

Governmental funds report capital asset additions 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 of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$3,009,883	
Depreciation Expense	<u>(3,405,457)</u>	
		(395,574)

Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as pension and OPEB expense.

District pension contributions	4,268,223	
Cost of benefits earned net of employee contributions - Pensions	18,229,635	
District OPEB contributions	159,625	
Cost of benefits earned net of employee contributions - OPEB	<u>1,945,658</u>	
		24,603,141

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(111,146)	
Interest	(102)	
Intergovernmental	93,712	
Other	<u>427,500</u>	
		409,964

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,690,360

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 19,386

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	(195,504)	
Amortization of Bond Premium	375,985	
Amortization of Deferred Charge on Refunding	(97,656)	
Bond Accretion	<u>(277,039)</u>	
		(194,214)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (1,944,453)

Change in Net Position of Governmental Activities \$30,929,124

See accompanying notes to the basic financial statements.

Springboro Community City School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$75,497</u>	<u>\$162,477</u>
Total Assets	<u>75,497</u>	<u>162,477</u>
Liabilities:		
Accounts Payable	0	9,095
Other Liabilities	<u>0</u>	<u>153,382</u>
Total Liabilities	<u>0</u>	<u>\$162,477</u>
Net Position:		
Held in Trust	<u>75,497</u>	
Total Net Position	<u>\$75,497</u>	

See accompanying notes to the basic financial statements.

Springboro Community City School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2018

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	Private Purpose Trust
Additions:	
Investment Earnings	\$454
Other	<u>7,262</u>
Total Additions	<u>7,716</u>
Deductions:	
Scholarships	<u>4,300</u>
Total Deductions	<u>4,300</u>
Change in Net Position	3,416
Net Position - Beginning of Year	<u>72,081</u>
Net Position - End of Year	<u><u>\$75,497</u></u>

See accompanying notes to the basic financial statements.



**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 1 - Summary of Significant Accounting Policies**

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

**Description of the District**

Springboro Community City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1990 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44.7 square miles. It is located in Warren County, and includes the City of Springboro and Clearcreek Township and a small portion of Franklin Township. It is staffed by 260 non-certificated employees, 22 administrative employees, and 366 certificated full-time teaching personnel who provide services to 6,119 students and other community members. The School District currently operates 6 instructional buildings, 1 administrative building, and 1 garage.

**Reporting Entity**

The reporting entity is comprised of the primary government. 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 Springboro Community City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; 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.

The School District has no component units.

The School District is associated with three jointly governed organizations. These organizations are the Southwestern Ohio Computer Association (SWOCA), the Warren County Career Center, and the Southwestern Ohio Educational Purchasing Council.

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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*Southwestern Ohio Computer Association* - The School District is a participating member of the Southwestern Ohio Computer Association (SWOCA). SWOCA provides data services needed by the participating school districts. D. Russell Lee Vocational School serves as the fiscal agent. This is a jointly governed organization and the School District's participation is discussed in Note 15 to the Basic Financial Statements.

*Warren County Career Center* - The School District became a member of a cooperative agreement to establish the Warren County Career Center to provide for the vocational and special education needs of the students. The School District is not involved in the budgeting or management of the Warren County Career Center. A board member appointed by the School District's school board members serves as a member of the Warren County Career Center Board of Education. This is a jointly governed organization and the School District's participation is discussed in Note 15 to the Basic Financial Statements.

*Southwestern Ohio Educational Purchasing Council* - The School District is a participating member of the Southwestern Ohio Educational Purchasing Council (the "Council"). The Council's purpose is to obtain prices for quality merchandise and services commonly used by schools. The Montgomery County Educational Service Center acts as the fiscal agent. This is a jointly governed organization and the School District's participation is discussed in Note 15 to the Basic Financial Statements.

**Basis of Presentation**

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

**Government-wide Financial Statements**

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

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, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 fiscal 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 rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Fund Accounting**

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. The funds used by this School District can be classified using two categories, governmental and fiduciary. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities.

The following fund types are used by the District:

***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, and liabilities and deferred inflows 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 all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

Bond Retirement Fund - The Bond Retirement Debt Service Fund is a fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund. The primary source of revenue for this fund is property tax levies.

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

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds which account for student managed activities and private purpose trust funds which are used to account for the financial activity of the School District's Scholarship Funds.

**Measurement Focus**

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

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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***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, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the 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. Fiduciary funds also use 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. “Measurable” means the amount of the transaction can be determined and “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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). 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 year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. For the School District, deferred outflows of resources includes a deferred charge on refunding, pension, and other post employment benefits. These amounts are reported on the government-wide statement of net position. The deferred outflows of resources related to pension, and OPEB plans are explained in Notes 9 and 10.

The School District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of property taxes, revenue in lieu of taxes (which includes tax incremental financing 'TIF'), grants and other taxes, OPEB, pension, accounts receivable, and investment earnings. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the governmental-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants, other taxes, accounts receivable, and investment earnings have been recorded as deferred inflows only on the governmental fund financial statements. Deferred inflows of resources related to pensions and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

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, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. 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.

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 40 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 15 years
Books	5 years

**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed 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. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire sick leave benefit and vacation liabilities are reported on the government-wide financial statements. On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment is paid.

**Net Position**

Net position represents the difference between asset, liabilities and deferred inflows/outflows of resources. Net investment in capital assets; consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to their use by grantors.

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

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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The government-wide statement of net position reports \$10,670,284 in restricted net position, none of which is restricted by enabling legislation.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and expenditure/expense is reported in the year in which services are consumed.

**Interfund Transactions**

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. Interfund transfers are eliminated in the statement of activities.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District 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 classification includes amounts that cannot be spent because they are not in the 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.

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The School District Board of Education allows the Treasurer to assign amounts for various purchase orders.

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

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

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**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 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 governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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

For purposes of measuring the net pension/OPEB 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.



**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by state statute to be set aside for budget stabilization. See Note 13 for additional information regarding set-asides and the budget stabilization reserve.

The School District maintains cash and cash equivalents in several accounts to account for proceeds from several capital leases. These monies are restricted for capital improvements to School District facilities and these amounts are reported as "Restricted Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

**Interfund Balances**

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

**Note 2 - Cash, Cash Equivalents and Investments**

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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. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet and the statement of net position.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2018 amounted to \$45,497.

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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For purposes of presentation on the financial statements, 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 considered to be cash equivalents.

**Note 3 – Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or securities 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 other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in Section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above 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);

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$16,156,256 of the School District's bank balance of \$16,429,873 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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As of June 30, 2018, the School District had the following investments and maturities:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Negotiable CD's	\$3,814,073	Level 2	1.10
Money Market Fund	1,003,738	N/A	0.00
Star Ohio	33,914	N/A	12.00
Total Fair Value	<u>\$4,851,725</u>		
Portfolio Weighted Average Maturity			0.95

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2018. STAR Ohio is reported at its share price (Net Asset value per share). All other investments of the District are valued using quoted market prices.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to meet cash flow requirements. The policy stipulates that generally investments should not exceed one year unless matched to specific cash flow requirements. The School District has complied with this requirement.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy limits investments to those authorized by State statute. Investments in STAR Ohio were rated AAAM by Standard & Poor's. Money Market Funds and Negotiable CDs were not rated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District places no limit on the amount it may invest in any one issuer. The School District has invested 0.7% in STAR Ohio, 20.7% in Money Market Funds, and 78.6% in Negotiable CDs.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District.

The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 4 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes 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 revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 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 assessed values upon which the fiscal year 2018 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$973,054,020
Public Utility Personal	<u>97,689,820</u>
Total Assessed Value	<u><u>\$1,070,743,840</u></u>

The School District receives property taxes from Warren and Montgomery Counties. 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The amount available as an advance at June 30, 2018, was \$5,509,165 and is recognized as revenue: \$4,498,258 in the General Fund and \$1,010,907 in the Bond Retirement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis they are recorded as a deferred inflow of resources.

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

**Note 5 – Receivables**

Receivables at June 30, 2018, consisted of taxes, accounts, interfund, interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**Note 6 – Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$1,421,691	\$0	\$0	\$1,421,691
Construction in Progress	0	332,472	0	332,472
<b>Capital Assets, being depreciated:</b>				
Land Improvements	7,359,909	473,173	0	7,833,082
Buildings and Improvements	102,639,210	844,690	0	103,483,900
Equipment	12,207,754	583,145	0	12,790,899
Vehicles	5,269,132	776,403	267,654	5,777,881
Totals at Historical Cost	<u>128,897,696</u>	<u>3,009,883</u>	<u>267,654</u>	<u>131,639,925</u>
Less Accumulated Depreciation:				
Land Improvements	4,656,936	255,783	0	4,912,719
Buildings and Improvements	38,602,290	2,511,441	0	41,113,731
Equipment	10,451,720	515,811	0	10,967,531
Vehicles	3,577,469	122,422	267,654	3,432,237
Total Accumulated Depreciation	<u>57,288,415</u>	<u>3,405,457</u>	<u>267,654</u>	<u>60,426,218</u>
Governmental Activities Capital Assets, Net	<u>\$71,609,281</u>	<u>(\$395,574)</u>	<u>\$0</u>	<u>\$71,213,707</u>

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$1,832,840
Special	11,411
Support Services:	
Pupils	25,052
Instructional Staff	170,050
General Administration	1,392
School Administration	27,702
Fiscal	1,664
Business	1,463
Operations & Maintenance	961,986
Pupil Transportation	163,961
Central	807
Operation of Non-Instructional Services	68,321
Extracurricular Activities	138,808
Total Depreciation Expense	<u>\$3,405,457</u>

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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**Note 7 - Risk Management**

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The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees and natural disasters. During the fiscal year 2018, the School District contracted with Liberty Mutual Insurance Company for property insurance with a \$156,154,401 aggregate limit and a \$2,500 deductible and inland marine of \$100,000 limit and a \$500 deductible. Professional liability is protected with a per occurrence limit of \$1,000,000 and a \$2,000,000 aggregate limit under a commercial umbrella policy.

The School District's vehicles are covered by Liberty Mutual Insurance Company and it holds a \$1,000 comprehensive deductible and a \$1,000 deductible for buses and \$500 deductible for other vehicles. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy.

The Cincinnati Insurance Company maintains a \$50,000 public official bond for the Treasurer and Business Manager and a \$10,000 blanket bond for other employees.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on claim history and administrative costs.

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

The School District provides medical/surgical insurance through Anthem, dental insurance through Dental Care Plus and vision insurance through Faye Med, commercial insurance companies.

**Note 8 – Employee Benefits**

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**Compensated Absences**

The criteria for determining vested vacation and sick leave components 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 and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Director of Educational Services, and Director of Support Services. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 275 days for certified and 270 for classified employees. Upon retirement and after being employed in the District for ten years, payment is made for twenty-five percent of the employee's accumulated sick leave up to a maximum of sixty-eight and three-fourth days.

**Note 9 - Defined Benefit Pension Plans**

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**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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**Springboro Community City School District, Ohio**  
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**For the Fiscal Year Ended June 30, 2018**

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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 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the employer is required to contribute 14% 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% for plan members and 14% 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$1,002,399 for fiscal year 2018. Of this amount \$211,795 is reported as accrued wages and benefits.

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

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

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The contractually required contribution to STRS was \$3,265,824 for fiscal year 2018. Of this amount \$598,108 is reported as accrued wages and benefits.

**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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$13,392,933	\$48,039,824	\$61,432,757
Proportion of the Net Pension Liability:			
Current Measurement Date	0.22415780%	0.20222854%	
Prior Measurement Date	<u>0.22555390%</u>	<u>0.19540120%</u>	
Change in Proportionate Share	-0.00139610%	0.00682734%	
Pension Expense	(\$361,410)	(\$17,868,225)	(\$18,229,635)

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$576,385	\$1,855,072	\$2,431,457
Changes of assumptions	692,559	10,506,837	11,199,396
Changes in employer proportionate share of net pension liability	309,215	2,296,727	2,605,942
Contributions subsequent to the measurement date	<u>1,002,399</u>	<u>3,265,824</u>	<u>4,268,223</u>
Total Deferred Outflows of Resources	<u>\$2,580,558</u>	<u>\$17,924,460</u>	<u>\$20,505,018</u>
Differences between expected and actual experience	\$0	\$387,182	\$387,182
Net difference between projected and actual earnings on pension plan investments	63,573	1,585,371	1,648,944
Changes in employer proportionate share of net pension liability	<u>62,800</u>	<u>0</u>	<u>62,800</u>
Total Deferred Inflows of Resources	<u>\$126,373</u>	<u>\$1,972,553</u>	<u>\$2,098,926</u>

**Springboro Community City School District, Ohio**  
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\$4,268,223 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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
2019	\$696,270	\$2,903,810	\$3,600,080
2020	883,617	5,072,536	5,956,153
2021	184,115	3,870,507	4,054,622
2022	(312,217)	839,231	527,014
Total	<u>\$1,451,785</u>	<u>\$12,686,084</u>	<u>\$14,137,869</u>

**Actuarial Assumptions - SERS**

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

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, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

**Springboro Community City School District, Ohio**  
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For 2017, the 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% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

**Discount Rate**

The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return 7.50%. 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 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%, 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%, or one percentage point higher 8.50% than the current rate.

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	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$18,585,911	\$13,392,933	\$9,042,755

**Changes in Benefit Terms**

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, 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% of rates for males and 100% 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 the July 1, 2016 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.

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Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. 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 the rates 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

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	1% Decrease <u>6.45%</u>	Current Discount Rate <u>7.45%</u>	1% Increase <u>8.45%</u>
Proportionate share of the net pension liability	\$68,863,452	\$48,039,824	\$30,499,037

**Changes in Assumptions**

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

**Changes in Benefit Terms**

Effective July 1, 2017, the COLA was reduced to zero.

**Note 10 – Defined Benefit Other Postemployment Benefits (OPEB) Plans**

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**Net Other Postemployment Benefits (OPEB) Liability**

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.



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Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at year-end is included in accrued liabilities on the accrual basis of accounting.

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$122,499.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$159,625 for fiscal year 2018. Of this amount \$122,499 is reported as accrued wages and benefits.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, 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 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the employer'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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$6,106,315	\$7,890,212	\$13,996,527
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.22753030%	0.20222854%	
Prior Measurement Date	0.22820740%	0.19540120%	
Change in Proportionate Share	<u>-0.00067710%</u>	<u>0.00682734%</u>	
OPEB Expense	\$409,849	(\$2,355,507)	(\$1,945,658)

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$455,472	\$455,472
Changes in employer proportionate share of net pension liability	0	312,967	312,967
Contributions subsequent to the measurement date	159,625	0	159,625
<b>Total Deferred Outflows of Resources</b>	<b>\$159,625</b>	<b>\$768,439</b>	<b>\$928,064</b>
Deferred Inflows of Resources			
Changes of assumptions	\$579,458	\$635,581	\$1,215,039
Net difference between projected and actual earnings on pension plan investments	16,125	337,246	353,371
Changes in employer proportionate share of net pension liability	14,168	0	14,168
<b>Total Deferred Inflows of Resources</b>	<b>\$609,751</b>	<b>\$972,827</b>	<b>\$1,582,578</b>

\$159,625 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year			
Ending June 30:	SERS	STRS	Total
2019	(\$219,113)	(\$62,168)	(\$281,281)
2020	(219,113)	(62,169)	(281,282)
2021	(167,493)	(62,169)	(229,662)
2022	(4,031)	(62,169)	(66,200)
2023	0	22,143	22,143
Thereafter	0	22,143	22,143
<b>Total</b>	<b>(\$609,750)</b>	<b>(\$204,389)</b>	<b>(\$814,139)</b>

**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.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50% net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56%
Prior Measurement Date	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63%
Prior Measurement Date	2.98%
Medical Trend Assumption	
Medicare	5.50% to 5.00%
Pre-Medicare	7.50% to 5.00%

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

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covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (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 Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

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	1% Decrease 2.63%	Current Discount Rate 3.63%	1% Increase 4.63%
Proportionate share of the net OPEB liability	\$7,374,153	\$6,106,315	\$5,101,864
	1% Decrease 6.50% decreasing to 4.00%	Current Trend Rate 7.50% decreasing to 5.00%	1% Increase 8.50% decreasing to 6.00%
Proportionate share of the net OPEB liability	\$4,954,817	\$6,106,315	\$7,630,343

**Changes in Assumptions – SERS**

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

**Municipal Bond Index Rate:**

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 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017
Blended Discount Rate of Return	4.13%
Health Care Cost Trends	6.00% to 11.00% initial, 4.5% 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.

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Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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 includes the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments

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of current plan members. The OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of 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 blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability 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 <u>3.13%</u>	Current Discount Rate <u>4.13%</u>	1% Increase <u>5.13%</u>
Proportionate share of the net OPEB liability	\$10,592,482	\$7,890,212	\$5,754,534

	1% Decrease <u>          </u>	Current Trend Rate <u>          </u>	1% Increase <u>          </u>
Proportionate share of the net OPEB liability	\$5,481,781	\$7,890,212	\$11,059,988

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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.



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

**Note 11 - Long Term Obligations**

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

	Interest Rate	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Governmental Activities:</b>						
<u>Bonds Payable:</u>						
2007 School Improvement Refunding Bonds	2.00-2.75%	\$43,890,000	\$0	\$1,280,000	\$42,610,000	\$1,725,000
Premium		3,891,977	0	243,248	3,648,729	0
2013 School Bus Acquisition Bond	1.50-2.00%	215,000	0	215,000	0	0
Premium		4,248	0	4,248	0	0
2015 Refunding Bonds	.50-3.10%					
Current Interest		10,990,000	0	1,910,000	9,080,000	1,940,000
Capital Appreciation		294,054	0	0	294,054	0
Accreted Interest		381,397	277,039	0	658,436	0
Premium		798,505	0	122,847	675,658	0
2018 Turf Field		0	371,000	0	371,000	36,400
2015 HB264 COP Bonds	2.00-4.00%	4,560,000	0	195,000	4,365,000	200,000
Premium	2.00-4.00%	98,737	0	5,642	93,095	0
Subtotal Bonds		65,123,918	648,039	3,975,985	61,795,972	3,901,400
<b>Capital Leases</b>						
2002 OASBO Pool Lease		5,034,000	0	215,000	4,819,000	234,000
2004 OASBO Pool Lease Athletic Fields		1,314,000	0	150,000	1,164,000	161,000
2004 OASB Pool Lease Chillers		249,000	0	58,000	191,000	61,000
2004 OASBO Pool Lease Buses		730,000	0	28,000	702,000	29,000
2002 OASBO Pool Lease Buses		753,000	0	34,000	719,000	36,000
2004 OASBO Pool Lease MVH		2,837,000	0	124,000	2,713,000	135,000
2008 Bus Lease		29,584	0	14,458	15,126	15,126
2007 Bus Lease		127,076	0	127,076	0	0
2016 CC Modular Lease		322,329	0	45,509	276,820	47,235
2017 Bus Lease		658,425	0	213,295	445,130	219,417
2017 Dell Computer Lease		166,443	0	81,022	85,421	85,421
2018 Bus Lease		0	702,704	0	702,704	129,485
2018 Musco Lighting Project		0	181,468	0	181,468	33,489
2018 Modular Lease		0	689,281	0	689,281	72,232
Compensated Absences		827,805	435,319	301,051	962,073	230,942
Subtotal Bonds & Other Amounts		78,172,580	2,656,811	5,367,396	75,461,995	5,390,747
<u>Net Pension Liability:</u>						
STRS		65,406,672	0	17,366,848	48,039,824	0
SERS		16,508,464	0	3,115,531	13,392,933	0
Total Net Pension Liability		81,915,136	0	20,482,379	61,432,757	0
<u>Net OPEB Liability:</u>						
STRS		10,450,107	0	2,559,895	7,890,212	0
SERS		6,504,755	0	398,440	6,106,315	0
Total Net OPEB Liability		16,954,862	0	2,958,335	13,996,527	0
Total Long-Term Obligations		\$177,042,578	\$2,656,811	\$28,808,110	\$150,891,279	\$5,390,747

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Springboro School Improvement General Obligation Bonds – In March 2007, Springboro Community City School District issued \$46,020,000 in General Obligation Refunding Bonds to partially refund part of the School District’s outstanding debt. The bonds will be retired from the Bond Retirement Fund. Of the \$46,020,000, \$32,665,000 are serial bonds with interest rates ranging from 4.0-5.25% and will mature in 2030. \$2,415,000, \$5,000,000, and \$5,940,000 are term bonds with interest rates of 5.25%. The maturity of these term bonds are 2024, 2031, and 2033 respectively. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price. This difference, due to the implementation of GASB’s Statement No. 63 and Statement No. 65 was recorded as a deferred outflow of resources on the Statement of Net Position. This deferred outflow was fully amortized during fiscal year 2014.

Springboro School Bus Acquisition Bonds – In March 2013, Springboro Community City School District issued \$995,000 in General Obligation Bonds to fund the purchase of school buses. The bonds were issued for five years with the final payment in December 2017. This debt was retired from the General Fund.

Springboro School Turf Financing Bonds – In June 2018, Springboro Community City School District issued \$371,000 in General Obligation Refunding Bonds to replace the turf of the athletic field. The bond has an interest rate of 4.110% and a maturity date of 1/1/28. Interest is paid semi-annually.

Compensated absences and payments for the Employee Severance Plan will be paid from the fund from which the person is paid, with the General Fund being the most significant. Capital lease obligations are being paid from the General Fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefiting from their service.

In prior years, the School District defeased School Improvement General Obligation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District’s financial statements.

Principal and interest requirements to retire the School Improvement Bonds, OASBO Loans, and School Bus Acquisition Bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$3,901,400	\$2,558,306	\$6,459,706	\$0	\$0	\$0
2020	2,831,420	2,433,486	5,264,906	294,054	1,300,946	1,595,000
2021	5,002,730	2,267,463	7,270,193	0	0	0
2022	5,664,090	2,045,726	7,709,816	0	0	0
2023	2,875,500	1,877,123	4,752,623	0	0	0
2024-2028	21,095,860	6,841,799	27,937,659	0	0	0
2029-2033	14,395,000	2,088,982	16,483,982	0	0	0
2034-2035	660,000	23,903	683,903	0	0	0
Total	<u>\$56,426,000</u>	<u>\$20,136,788</u>	<u>\$76,562,788</u>	<u>\$294,054</u>	<u>\$1,300,946</u>	<u>\$1,595,000</u>

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**Note 12 – Interfund Activity**

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Interfund Receivables/Payables and Transfers In/Out

As of June 30, 2018 receivables and payables that resulted from various interfund receivable and interfund payable, and transfers in and transfers out transactions were as follows:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$6,087	\$0	\$0	\$11,078
Other Governmental Funds	0	6,087	11,078	0
Total All Funds	<u>\$6,087</u>	<u>\$6,087</u>	<u>\$11,078</u>	<u>\$11,078</u>

The General Fund periodically provides advances to grant funds to provide temporary resources to such funds until grant monies are received at which time the advances are repaid.

**Note 13 – Set-Aside Calculations And Fund Reserves**

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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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years. As of fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

The following information describes the change in the year-end set-aside amounts for capital acquisition and budget stabilization reserve. Disclosure of this information is required by State statute.

	Capital Maintenance Reserve
Set Aside Reserve Balance as of July 1, 2017	\$0
Current Year Set Aside Requirements	1,038,911
Qualifying Expenditures	(1,754,314)
Total	<u>(\$715,403)</u>
Set Aside Reserve Cash Balance as of June 30, 2018	\$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Maintenance Reserve. The carryover amount in the Capital Maintenance Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$54,101,629 at June 30, 2018.

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**Note 14 – Capitalized Leases – Lessee Disclosure**

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During the current year, the School District entered into capitalized leases for the purchase of buses, modular classroom and a lighting system. During previous years, the School District entered into capitalized leases for the purchase of buses, modular classrooms, computers, copiers and to construct a new central office. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Springboro Refunding/Land Lease-Purchase Agreement – In October 2003 Springboro Community City School District entered into a lease-purchase agreement in the amount of \$1,064,000 to purchase land for the School District and to refinance part of the 2001 school bus purchase loan. The agreement is for 28 years with a final maturity in 2032. The debt is being paid from the General Fund.

Springboro Refunding/Lease-Purchase Agreement – In June 2004 Springboro Community City School District entered into a lease-purchase agreement in the amount of \$988,000 to refinance a capital lease and part of the school bus purchase loan. The agreement is for 28 years with a final maturity in 2034. The debt is being paid from the General Fund.

School Bus Lease – During 2006 Springboro Community City School District entered into a lease agreement in the amount of \$1,234,670 to purchase school buses. The agreement is paid yearly, with a final maturity in 2017. The debt was being paid from the General Fund.

Healthcare Complex Lease – During fiscal year 2008 the Springboro Community City School District entered into a lease-purchase agreement in the amount of \$6,139,000 for the acquisition, construction, equipping and renovation for School District Facilities including a multi-use building containing locker room, weight room and medical services facilities. The agreement is for 24 years with a final maturity in 2030. The debt is being paid from the General Fund. The School District has entered into a sub-lease agreement during fiscal year 2008 with Miami Valley Hospital, whereby the School District is sub-leasing approximately 25,500 rentable square feet of the facility they have constructed. The terms of the agreement are for a multi-year period with payments beginning on November 15, 2008 and concluding on November 15, 2030. The total payments to be received over the life of the sub-lease agreement are \$16,954,809. These sub-lease payments are pledged to pay off the capital lease that the School District entered into during fiscal year 2008 to construct the facilities.

Stadium/Sign Lease – During fiscal year 2008 Springboro Community City School District entered into a lease-purchase agreement in the amount of \$5,624,000 for the purpose of constructing a football/track stadium and the signage for this facility. The agreement is for 24 years with a final maturity in 2030. The debt is being paid from the General Fund. The School District has entered into a naming rights agreement during fiscal year 2008 with Miami Valley Hospital, whereby the School District is providing certain sponsorship and marketing rights to Miami Valley Hospital related to the rebuilt and upgraded high school football and track facility. The terms of the agreement are for a multi-year period with payments beginning on November 15, 2008 and concluding on November 15, 2023. The total payments to be received over the life of the agreement are \$3,177,581. These payments are pledged to pay off the capital lease that the School District entered into during fiscal year 2008 to construct the facilities.

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Modular Building Lease – During fiscal year 2015 the School District entered into a lease agreement for the purchase of a modular building. The lease is in the amount of \$398,102 and has a 3.73% interest rate. The lease is paid monthly with the final payment due in September 2023.

Computer Lease – During fiscal year 2017, Springboro Community City School District entered into a lease agreement in the amount of \$256,500 to purchase computers. The agreement is to be paid yearly, with a final maturity in fiscal year 2019. The debt is being paid from the General Fund.

School Bus Lease – During 2017 Springboro Community City School District entered into a lease agreement in the amount of \$890,617 to purchase school buses. The agreement is paid yearly, with a final maturity in 2020. The debt is being paid from the General Fund.

School Bus Lease – During 2018, Springboro Community School District entered into a lease purchase agreement in the amount of \$702,704 for school buses. The agreement is for 6 years and has a final maturity in 2023. Debt is being paid from the General Fund.

Lighting Lease – During 2018, Springboro Community School District entered into a lease purchase agreement in the amount of \$181,468 for lighting. The agreement is for 5 years and has a final maturity in 2022. Debt is being paid from the General Fund.

Modular Building Lease – During 2018, Springboro Community School District entered into a lease purchase agreement in the amount of \$689,281 for modular buildings. The agreement is for 9 years and has a final maturity in 2026. Debt is being paid from the General Fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30	Capital Leases
2019	\$1,838,975
2020	1,749,533
2021	1,530,192
2022	1,479,856
2023	1,495,243
2024-2028	5,455,277
2029-2033	3,092,112
2034	63,761
Total Minimum Lease Payments	\$16,704,949
Less: Administrative Fees and Interest	(4,000,999)
Present Value of Minimum Lease Payments	<u>\$12,703,950</u>

**Note 15 - Jointly Governed Organizations**

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*Southwestern Ohio Computer Association-* The School District is a participant in the Southwestern Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Warren, Butler, and Preble Counties and Loveland City Schools.

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The 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 school districts.

The governing board of SWOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from the Executive Director, at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

*Warren County Career Center*- The Warren County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from the participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Warren County Career Center is not part of the School District and its operations are not included as part of the reporting entity. The School District gave no financial contributions during the fiscal year. Financial information can be obtained from the Treasurer, at 3525 SR48 North, Lebanon, Ohio 45036.

*Southwestern Ohio Educational Purchasing Council* - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

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**Note 16 – Contingencies**

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**Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any

**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

***Litigation***

The School District is currently not party to any legal proceedings.

**Note 17 – Accountability**

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As of June 30, 2018 the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Other Governmental Funds:	
Education Management Information System	\$403
Chapter 2	3,766
Auxiliary Service	1,918

The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The General Fund provides transfers when cash is required, not when expenditures are incurred.

**Note 18 – Fund Balances**

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

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**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>				
Prepays	\$69,353	\$0	\$1,131	\$70,484
<b>Total Nonspendable</b>	<u>69,353</u>	<u>0</u>	<u>1,131</u>	<u>70,484</u>
<b>Restricted for:</b>				
Chapter 1	0	0	12,410	12,410
Food Service	0	0	871,211	871,211
Title VI-R	0	0	115	115
Title VI-B	0	0	88,040	88,040
SC Drug Free	0	0	4,148	4,148
District Managed Student Acitivity	0	0	358,862	358,862
Building	0	0	58,893	58,893
Debt Services Payments	0	8,864,214	0	8,864,214
<b>Total Restricted</b>	<u>0</u>	<u>8,864,214</u>	<u>1,393,679</u>	<u>10,257,893</u>
<b>Assigned to:</b>				
Encumbrances	6,430	0	0	6,430
Budgetary Resource	1,377,997	0	0	1,377,997
Public Schools	318,995	0	0	318,995
<b>Total Assigned</b>	<u>1,703,422</u>	<u>0</u>	<u>0</u>	<u>1,703,422</u>
<b>Unassigned (Deficit)</b>	<u>7,622,425</u>	<u>0</u>	<u>(6,087)</u>	<u>7,616,338</u>
<b>Total Fund Balance</b>	<u>\$9,395,200</u>	<u>\$8,864,214</u>	<u>\$1,388,723</u>	<u>\$19,648,137</u>

**Note 19 –Tax Abatements Entered Into By Other Governments**

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Springboro has entered into such an agreement. Under this agreement the District’s property taxes were reduced by approximately \$12,154. The District is receiving \$3,830 from this other government in association with the forgone property tax revenue.

**Note 20 – Implementation of New Accounting Principles and Restatement of Net Position**

For the fiscal year ended June 30, 2018, the School District has implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements, and GASB No. 86, Certain Debt Extinguishment Issues, and GASB Statement No. 85, Omnibus 2017, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation



**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 86 sets out to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

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**Springboro Community City School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2018**

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Net position June 30, 2017	(\$55,014,309)
Adjustments:	
Net OPEB Liability	(16,954,862)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>198,537</u>
Restated Net Position June 30, 2017	<u><u>(\$71,770,634)</u></u>

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

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# **REQUIRED SUPPLEMENTARY INFORMATION**



Springboro Community City School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.20222854%	0.19540120%	0.19518831%	0.18943521%	0.18943521%
District's Proportionate Share of the Net Pension Liability	\$48,039,824	\$65,406,672	\$53,944,340	\$46,077,199	\$54,739,045
District's Covered-Employee Payroll	\$21,973,457	\$21,046,371	\$19,667,400	\$20,843,892	\$19,589,763
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	218.63%	310.77%	274.28%	221.06%	279.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Springboro Community City School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.22415780%	0.22555390%	0.21653480%	0.21232800%	0.21232800%
District's Proportionate Share of the Net Pension Liability	\$13,392,933	\$16,508,464	\$12,355,686	\$10,745,799	\$10,902,697
District's Covered-Employee Payroll	\$7,215,093	\$7,004,864	\$7,754,112	\$6,232,150	\$5,463,557
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	185.62%	235.67%	159.34%	172.43%	199.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Springboro Community City School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 for Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$3,265,824	\$3,076,284	\$2,946,492	\$2,753,436	\$2,709,706	\$2,752,692	\$2,594,376	\$2,571,972	\$2,854,704	\$2,927,616
Contributions in Relation to the Contractually Required Contribution	(3,265,824)	(3,076,284)	(2,946,492)	(2,753,436)	(2,709,706)	(2,752,692)	(2,594,376)	(2,571,972)	(2,854,704)	(2,927,616)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$23,327,314	\$21,973,457	\$21,046,371	\$19,667,400	\$20,843,892	\$19,589,763	\$20,221,629	\$20,307,721	\$20,269,602	\$19,969,053
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

Springboro Community City School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 for Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$1,002,399	\$1,010,113	\$980,681	\$1,021,992	\$863,776	\$1,150,824	\$1,099,680	\$1,055,496	\$1,014,360	\$1,017,768
Contributions in Relation to the Contractually Required Contribution	(1,002,399)	(1,010,113)	(980,681)	(1,021,992)	(863,776)	(1,150,824)	(1,099,680)	(1,055,496)	(1,014,360)	(1,017,768)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$7,425,178	\$7,215,093	\$7,004,864	\$7,754,112	\$6,232,150	\$5,463,557	\$5,445,008	\$5,447,042	\$5,583,336	\$5,924,022
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

Springboro Community City School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.20222854%	0.19540120%
District's Proportionate Share of the Net OPEB Liability	\$7,890,212	\$10,450,107
District's Covered-Employee Payroll	\$21,973,457	\$21,046,371
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	35.91%	49.65%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.



Springboro Community City School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.22753030%	0.22820740%
District's Proportionate Share of the Net OPEB Liability	\$6,106,315	\$6,504,755
District's Covered-Employee Payroll	\$7,215,093	\$7,004,864
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	84.63%	92.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Springboro Community City School District  
 Required Supplementary Information  
 Schedule of District Contributions to  
 Postemployment Benefits Other Than Pension (OPEB)  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$23,327,314	\$21,973,457	\$21,046,371
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Springboro Community City School District  
 Required Supplementary Information  
 Schedule of District Contributions to  
 Postemployment Benefits Other Than Pension (OPEB)  
 School Employees Retirement System of Ohio  
 Last Three Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution to OPEB (2)	\$159,625	\$198,537	\$13,897
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(159,625)</u>	<u>(198,537)</u>	<u>(13,897)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$7,425,178	\$7,215,093	\$7,004,864
Contributions to OPEB as a Percentage of Covered-Employee Payroll	2.15%	2.75%	0.20%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

Springboro Community City School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$30,428,814	\$31,523,862	\$31,492,573	(\$31,289)
Revenue in lieu of taxes	226,984	235,152	234,919	(233)
Tuition and Fees	808,017	837,095	836,264	(831)
Investment Earnings	74,971	77,669	77,592	(77)
Intergovernmental	19,653,328	20,360,596	20,340,387	(20,209)
Extracurricular Activities	316,950	328,356	328,030	(326)
Other Revenues	34,082	35,308	35,273	(35)
<b>Total Revenues</b>	<b>51,543,146</b>	<b>53,398,038</b>	<b>53,345,038</b>	<b>(53,000)</b>
Expenditures:				
Current:				
Instruction:				
Regular	22,690,211	23,310,919	22,330,138	980,781
Special	7,972,380	8,190,471	7,845,866	344,605
Other	1,086,602	1,116,327	1,069,359	46,968
Support Services:				
Pupil	3,388,585	3,481,282	3,334,811	146,471
Instructional Staff	2,062,933	2,119,366	2,030,196	89,170
General Administration	367,488	377,541	361,656	15,885
School Administration	3,336,397	3,427,666	3,283,451	144,215
Fiscal	1,110,736	1,141,121	1,093,110	48,011
Business	122,253	125,597	120,313	5,284
Operations and Maintenance	4,187,533	4,302,087	4,121,081	181,006
Pupil Transportation	3,915,353	4,022,461	3,853,220	169,241
Central	551,854	566,951	543,097	23,854
Operation of Non-Instructional Services	6,670	6,852	6,564	288
Extracurricular Activities	800,827	822,735	788,119	34,616
Capital Outlay	420,959	432,475	414,279	18,196
Debt Service:				
Principal Retirement	538,546	553,279	530,000	23,279
Interest and Fiscal Charges	258,926	266,009	254,817	11,192
<b>Total Expenditures</b>	<b>52,818,253</b>	<b>54,263,139</b>	<b>51,980,077</b>	<b>2,283,062</b>
Excess of Revenues Over (Under) Expenditures	(1,275,107)	(865,101)	1,364,961	2,230,062
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	29,230	30,282	30,252	(30)
Transfers (Out)	(11,257)	(11,565)	(11,078)	487
<b>Total Other Financing Sources (Uses)</b>	<b>17,973</b>	<b>18,717</b>	<b>19,174</b>	<b>457</b>
<b>Net Change in Fund Balance</b>	<b>(1,257,134)</b>	<b>(846,384)</b>	<b>1,384,135</b>	<b>2,230,519</b>
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	8,580,436	8,580,436	8,580,436	0
<b>Fund Balance - End of Year</b>	<b>\$7,323,302</b>	<b>\$7,734,052</b>	<b>\$9,964,571</b>	<b>\$2,230,519</b>

See accompanying notes to the basic financial statements.

**Springboro Community City School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2018**

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**Note 1 – Budgetary Process**

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All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2018.

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

While the 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 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

**Springboro Community City School District**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2018**

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The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis for the General Fund.

	General
GAAP Basis	\$2,434,277
Revenue Accruals	(2,103,323)
Expenditure Accruals	2,638,229
Issuance of Debt	(1,573,453)
Encumbrances	(11,595)
Budget Basis	\$1,384,135

**Note 2 - SERS Change in Assumptions-Net Pension Liability**

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The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

**Note 3 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability**

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**Changes in Assumptions**

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

**Changes in Benefit Terms**

Effective July 1, 2017, the COLA was reduced to zero.

**Note 4 - SERS Change in Assumptions-Net OPEB Liability**

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Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

**Springboro Community City School District  
Notes to the Required Supplementary Information  
For The Fiscal Year Ended June 30, 2018**

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Note 5 - STRS Change in Assumptions-Net OPEB Liability**

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For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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.

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

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**Springboro Community City School District**



**Single Audit Reports**

**June 30, 2018**

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**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	3L60	10.555	\$216,658	\$85,392
Total Child Nutrition Cluster			<u>216,658</u>	<u>85,392</u>
Total U.S. Department of Agriculture			<u>216,658</u>	<u>85,392</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	3M20	84.027	921,251	0
Special Education-Preschool Grants	3C50	84.173	26,707	0
Total Special Education Cluster			<u>947,958</u>	<u>0</u>
Title I Grants to Local Educational Agencies	3M00	84.010	137,291	0
Supporting Effective Instruction State Grants	3Y60	84.367	37,062	0
Student Support and Academic Enrichment Program	3H10	84.424	9,253	0
Total Department of Education			<u>1,131,564</u>	<u>0</u>
Total Federal Assistance			<u>\$1,348,222</u>	<u>\$85,392</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared using the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Springboro Community City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springboro Community City School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2018, wherein we noted the District adopted GASB No. 75 as disclosed in Note 20.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 5, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

Board of Education  
Springboro Community City School District

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

We have audited the Springboro Community City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control over Compliance**

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

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

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

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

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 5, 2018, which contained unmodified opinions on those financial statements, wherein we noted the District adopted GASB No. 75 as disclosed in Note 20. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 5, 2018



**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant Deficiency(s) identified? None reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? No

**Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

Summary of Prior Audit Findings:

None Noted



# Dave Yost • Auditor of State

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2018**