



Dave Yost • Auditor of State

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

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SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Springboro Community City School District
Warren County
1685 South Main Street
Springboro, Ohio 45066

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Springboro Community City School District, Warren County, Ohio (The District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Springboro Community City School District, Warren County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2017

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**Springboro Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

The discussion and analysis of Springboro Community City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the 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 District's performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position of governmental activities decreased \$4,902,013 which represents a 9% decrease from 2015.
- General revenues accounted for \$44,734,142 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,002,281 or 15% of total revenues of \$52,736,423.
- The District had \$55,980,228 in expenses related to governmental activities; \$8,002,281 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$44,734,142 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 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 District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Permanent Improvement Fund are the major funds of the District.

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* 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, 2016
(Unaudited)**

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the 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 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 District is presented as Governmental Activities – All of the 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 District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the 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 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 District's own programs.

The District as a Whole

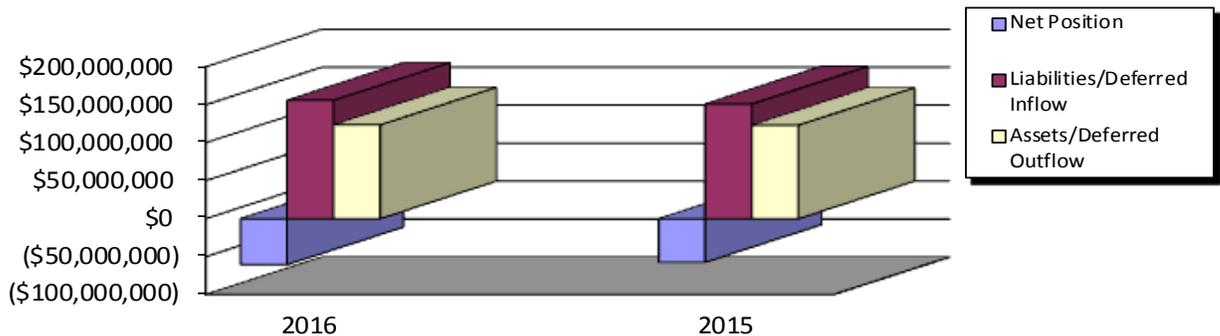
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2016 compared to 2015:

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**Springboro Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2016	2015 Restated
Assets:		
Current and Other Assets	\$49,814,066	\$47,528,423
Capital Assets	73,623,192	75,521,707
Total Assets	123,437,258	123,050,130
Deferred Outflows of Resources:		
Deferred Charge on Refunding	732,418	830,074
Pension	10,217,392	4,310,480
Total Deferred Outflows of Resources	10,949,810	5,140,554
Liabilities:		
Other Liabilities	6,880,365	7,673,525
Long-Term Liabilities	148,959,878	143,328,724
Total Liabilities	155,840,243	151,002,249
Deferred Inflows of Resources:		
Property Taxes	32,885,279	24,097,630
Revenue in Lieu of Taxes	3,830	46,809
Pension	6,126,055	10,268,530
Total Deferred Inflows of Resources	39,015,164	34,412,969
Net Position:		
Net Investment in Capital Assets	(6,250,380)	(6,190,426)
Restricted	6,768,512	6,624,699
Unrestricted	(60,986,471)	(57,658,804)
Total Net Position	(\$60,468,339)	(\$57,224,531)



**Springboro Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$(60,468,339).

At year-end, capital assets represented 60% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2016, was \$(6,250,380). These capital assets are used to provide services to the students and are not available for future spending. Although the 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 District's net position, \$6,768,512 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 remained relatively constant with prior year. Long-term liabilities decreased due to the decrease in the Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

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**Springboro Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 2
Changes in Net Position**

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues		
Charges for Services	\$4,154,309	\$3,717,754
Operating Grants, Contributions	3,847,972	3,862,925
General Revenues:		
Property Taxes	27,259,305	39,703,595
Grants and Entitlements	16,845,671	15,807,000
Investment Earnings	74,181	50,905
Other	554,985	752,440
Total Revenues	<u>52,736,423</u>	<u>63,894,619</u>
Program Expenses:		
Instruction	30,991,579	32,412,082
Support Services:		
Pupil and Instructional Staff	4,829,622	5,542,572
School Administrative, General		
Administration, Fiscal and Business	3,875,079	4,107,001
Operations and Maintenance	5,377,689	5,580,752
Pupil Transportation	3,241,678	3,458,170
Central	445,356	296,969
Operation of Non-Instructional Services	1,542,544	1,379,948
Extracurricular Activities	2,172,692	2,196,559
Interest and Fiscal Charges	3,503,989	3,559,133
Bond Issuance Cost	0	366,802
Total Program Expenses	<u>55,980,228</u>	<u>58,899,988</u>
Change in Net Position	(3,243,805)	4,994,631
Net Position - Beginning of Year, Restated	<u>(57,224,534)</u>	<u>(62,219,165)</u>
Net Position - End of Year	<u>(\$60,468,339)</u>	<u>(\$57,224,534)</u>

The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 84% of the District's revenues for governmental activities.

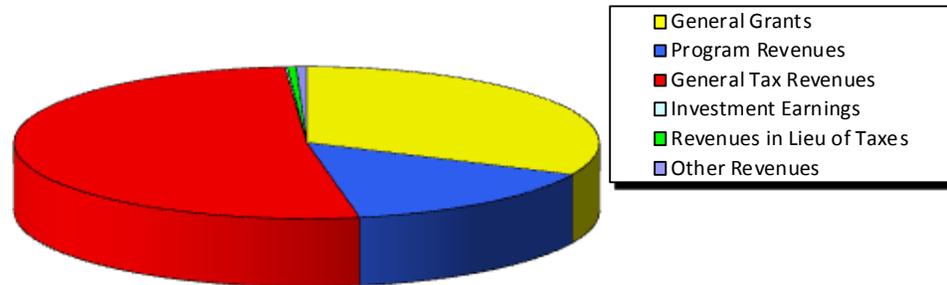
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

**Springboro Community City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

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 52% of revenue for governmental activities for the District in fiscal year 2016.

**Governmental Activities
Revenue Sources**

	2016	Percentage
General Grants	\$16,845,671	31.94%
Program Revenues	8,002,281	15.17%
General Tax Revenues	27,259,305	51.69%
Investment Earnings	74,181	0.14%
Revenues in Lieu of Taxes	257,812	0.49%
Other Revenues	297,173	0.57%
Total Revenue Sources	<u>\$52,736,423</u>	<u>100.00%</u>



Instruction comprises 56% of governmental program expenses. Support services expenses were 31% of governmental program expenses. All other expenses including interest expense were 13%. 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 operation grants and contributions (Federal grant monies received). General revenues increased due to an increase in property taxes levied for general purposes.

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.

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**Springboro Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$30,991,579	\$32,412,082	(\$27,515,679)	(\$28,968,360)
Support Services:				
Pupil and Instructional Staff	4,829,622	5,542,572	(4,642,680)	(5,307,242)
School Administrative, General				
Administration, Fiscal and Business	3,875,079	4,107,001	(3,681,070)	(3,914,847)
Operations and Maintenance	5,377,689	5,580,752	(4,552,417)	(4,732,559)
Pupil Transportation	3,241,678	3,458,170	(3,101,259)	(3,342,550)
Central	445,356	296,969	(434,556)	(296,969)
Operation of Non-Instructional Services	1,542,544	1,379,948	235,005	254,892
Extracurricular Activities	2,172,692	2,196,559	(781,302)	(1,085,739)
Interest and Fiscal Charges	3,503,989	3,559,133	(3,503,989)	(3,559,133)
Bond Issuance Cost	0	366,802	0	(366,802)
Total Expenses	<u>\$55,980,228</u>	<u>\$58,899,988</u>	<u>(\$47,977,947)</u>	<u>(\$51,319,309)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Bond Retirement Fund. Assets of the General Fund comprised \$36,999,081 (74%), the Bond Retirement Fund comprised \$10,784,324 (22%) of the total \$49,820,153 governmental funds' assets.

General Fund: Fund balance at June 30, 2016 was \$2,970,597 including \$1,402,846 of unassigned balance. The District had a decrease in fund balance of \$5,169,745. One of the causes for the decrease in fund balance was a decrease in property tax revenue.

Bond Retirement Fund: Fund balance at June 30, 2016 was \$5,122,200 with an increase in fund balance of \$183,963. The increase in fund balance is due to an increase in cash and investments in 2016.

General Fund Budgeting Highlights

The 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 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 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 \$47,647,704, compared to original budget estimates of \$46,622,837, while the actual revenue had a difference of \$(8,815) from the final budget basis revenues due to an underestimation of taxes and intergovernmental revenue.

**Springboro Community City School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

The District’s unobligated cash balance for the General Fund was \$8,025,777.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$73,623,192 invested in land, land improvements, buildings and improvements, and equipment and vehicles. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

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

	Governmental Activities	
	2016	2015 Restated
Land	\$1,421,691	\$1,421,691
Land Improvements	2,797,515	2,836,367
Buildings and Improvements	66,898,755	68,350,702
Equipment	1,538,504	1,820,929
Vehicles	966,727	1,092,018
Total Net Capital Assets	<u>\$73,623,192</u>	<u>\$75,521,707</u>

Total Net Capital Assets decreased in 2016 as compared to 2015 because depreciation expense was more than current year additions. See Note 7 to the Basic Financial Statements for further details on the District’s capital assets.

Debt

At June 30, 2016, the District had \$80,745,307 in debt outstanding, \$4,045,877 due within one year. Table 5 summarizes total debt outstanding.

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**Springboro Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Table 5
Outstanding Debt at Year End**

	2016	2015
General Obligation Bonds Payable:		
1996 and 1991 Refunding Bonds	\$0	\$1,470,000
2007 School Improvement Refunding Bonds	44,775,000	45,315,000
Premium	4,135,225	4,378,473
2013 School Bus Acquisition Bond	430,000	640,000
Premium	8,497	12,746
2015 Refunding Bonds		
Current Interest	12,885,000	13,255,000
Capital Appreciation	294,054	294,054
Accreted Interest	184,934	45,617
Premium	921,352	1,044,199
2002 OASBO Pool HB264 Loan	121,000	243,000
2015 HB264 COP Bonds	4,750,000	4,935,000
Premium	104,379	110,021
Capital Leases		
2002 OASBO Pool Lease	5,230,000	5,408,000
2004 OASBO Pool Lease Athletic Fields	1,452,000	1,579,000
2004 OASB Pool Lease Chillers	304,000	357,000
2004 OASBO Pool Lease Buses	756,000	781,000
2002 OASBO Pool Lease Buses	785,000	815,000
2004 OASBO Pool Lease MVH	2,951,000	3,055,000
2013 Computer Lease	0	87,401
2008 Bus Lease	43,404	56,614
2007 Bus Lease	248,288	363,907
2016 CC Modular Lease	366,174	0
Total Outstanding Debt at Year End	<u>\$80,745,307</u>	<u>\$84,246,032</u>

See Note 7 to the Basic Financial Statements for further details on the District's obligations.

Contacting the District's Financial Management

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

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Springboro Community City School District
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$14,781,297
Equity in Pooled Cash and Investments with Fiscal Agent	328,900
Receivables (Net):	
Taxes	34,529,898
Accounts	3,509
Interest	13,167
Intergovernmental	117,346
Prepays	15,334
Inventory	24,615
Nondepreciable Capital Assets	1,421,691
Depreciable Capital Assets, Net	<u>72,201,501</u>
 Total Assets	 <u>123,437,258</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	732,418
	<u>10,217,392</u>
 Total Deferred Outflows of Resources	 <u>10,949,810</u>
Liabilities:	
Accounts Payable	364,051
Accrued Wages and Benefits	6,065,897
Accrued Interest Payable	450,417
Long-Term Liabilities:	
Due Within One Year	4,299,899
Due In More Than One Year	
Net Pension Liability	66,300,025
Other Amounts	<u>78,359,954</u>
 Total Liabilities	 <u>155,840,243</u>
Deferred Inflows of Resources:	
Property Taxes	32,885,279
Revenue in Lieu of Taxes	3,830
Pension	<u>6,126,055</u>
 Total Deferred Inflows of Resources	 <u>39,015,164</u>
Net Position:	
Net Investment in Capital Assets	(6,250,380)
Restricted for:	
District Managed Student Activity	379,897
Federal Grants	146,779
Food Service	824,201
Capital Projects	356,797
Debt Service	5,013,982
Other Purposes	46,856
Unrestricted	<u>(60,986,471)</u>
 Total Net Position	 <u><u>(\$60,468,339)</u></u>

See accompanying notes to the basic financial statements.

Springboro Community City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$22,652,508	\$732,104	\$615,732	(\$21,304,672)
Special	6,990,878	24,603	2,099,693	(4,866,582)
Vocational	0	0	3,768	3,768
Other	1,348,193	0	0	(1,348,193)
Support Services:				
Pupil	3,042,955	0	105,143	(2,937,812)
Instructional Staff	1,786,667	0	81,799	(1,704,868)
General Administration	188,331	0	0	(188,331)
School Administration	2,343,669	0	194,009	(2,149,660)
Fiscal	1,163,116	0	0	(1,163,116)
Business	179,963	0	0	(179,963)
Operations and Maintenance	5,377,689	825,272	0	(4,552,417)
Pupil Transportation	3,241,678	0	140,419	(3,101,259)
Central	445,356	0	10,800	(434,556)
Operation of Non-Instructional Services	1,542,544	1,180,940	596,609	235,005
Extracurricular Activities	2,172,692	1,391,390	0	(781,302)
Interest and Fiscal Charges	3,503,989	0	0	(3,503,989)
Totals	\$55,980,228	\$4,154,309	\$3,847,972	(47,977,947)

General Revenues:

Property Taxes Levied for:

General Purposes	22,657,000
Debt Service Purposes	4,602,305
Grants and Entitlements, Not Restricted	16,845,671
Revenue in Lieu of Taxes	257,812
Unrestricted Contributions	40,353
Investment Earnings	74,181
Other Revenues	256,820

Total General Revenues 44,734,142

Change in Net Position (3,243,805)

Net Position - Beginning of Year, Restated (57,224,534)

Net Position - End of Year (\$60,468,339)

See accompanying notes to the basic financial statements.

Springboro Community City School District
Balance Sheet
Governmental Funds
June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$8,292,758	\$4,920,323	\$1,568,216	\$14,781,297
Equity in Pooled Cash and Investments with Fiscal Agent	0	0	328,900	328,900
Receivables (Net):				
Taxes	28,665,897	5,864,001	0	34,529,898
Accounts	2,395	0	1,114	3,509
Interest	13,167	0	0	13,167
Intergovernmental	3,830	0	113,516	117,346
Interfund	6,087	0	0	6,087
Prepays	14,947	0	387	15,334
Inventory	0	0	24,615	24,615
Total Assets	36,999,081	10,784,324	2,036,748	49,820,153
Liabilities:				
Accounts Payable	303,479	0	60,572	364,051
Accrued Wages and Benefits	5,895,484	0	170,413	6,065,897
Compensated Absences	29,883	0	0	29,883
Interfund Payable	0	0	6,087	6,087
Total Liabilities	6,228,846	0	237,072	6,465,918
Deferred Inflows of Resources:				
Property Taxes	27,795,305	5,662,124	0	33,457,429
Grants and Other Taxes	3,830	0	23,455	27,285
Investment Earnings	503	0	0	503
Total Deferred Inflows of Resources	27,799,638	5,662,124	23,455	33,485,217
Fund Balances:				
Nonspendable	14,947	0	387	15,334
Restricted	0	5,122,200	1,780,561	6,902,761
Assigned	1,552,804	0	0	1,552,804
Unassigned	1,402,846	0	(4,727)	1,398,119
Total Fund Balances	2,970,597	5,122,200	1,776,221	9,869,018
Total Liabilities, Deferred Inflows and Fund Balances	\$36,999,081	\$10,784,324	\$2,036,748	\$49,820,153

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, 2016

Total Governmental Fund Balance		\$9,869,018
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		73,623,192
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	\$572,150	
Interest	503	
Intergovernmental	23,455	
		<u>596,108</u>
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.		
		(450,417)
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		(1,884,663)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		732,418
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$10,217,392	
Deferred inflows of resources related to pensions	(6,126,055)	
		<u>4,091,337</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$66,300,025)	
Other Amounts	(80,745,307)	
		<u>(147,045,332)</u>
Net Position of Governmental Activities		<u><u>(\$60,468,339)</u></u>

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, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$22,531,382	\$4,576,325	\$0	\$27,107,707
Tuition and Fees	756,707	0	0	756,707
Investment Earnings	75,394	0	0	75,394
Intergovernmental	18,306,376	764,318	1,519,205	20,589,899
Extracurricular Activities	129,905	0	1,085,602	1,215,507
Charges for Services	1,026,136	0	1,356,823	2,382,959
Revenue in Lieu of Taxes	257,813	0	0	257,813
Other Revenues	223,422	2,767	70,983	297,172
Total Revenues	43,307,135	5,343,410	4,032,613	52,683,158
Expenditures:				
Current:				
Instruction:				
Regular	20,984,036	0	35	20,984,071
Special	6,283,006	0	708,549	6,991,555
Other	1,348,193	0	0	1,348,193
Support Services:				
Pupil	2,936,036	0	99,070	3,035,106
Instructional Staff	1,556,408	0	69,887	1,626,295
General Administration	187,121	0	0	187,121
School Administration	2,148,297	0	190,981	2,339,278
Fiscal	1,046,078	123,708	0	1,169,786
Business	150,457	0	0	150,457
Operations and Maintenance	4,390,090	0	11,367	4,401,457
Pupil Transportation	3,079,941	0	7,488	3,087,429
Central	436,993	0	11,358	448,351
Operation of Non-Instructional Services	9,260	0	1,460,875	1,470,135
Extracurricular Activities	422,425	0	1,618,981	2,041,406
Capital Outlay	833,848	0	756,663	1,590,511
Debt Service:				
Principal Retirement	1,282,158	2,380,000	0	3,662,158
Interest and Fiscal Charges	845,528	2,655,739	2,834	3,504,101
Total Expenditures	47,939,875	5,159,447	4,938,088	58,037,410
Excess of Revenues Over (Under) Expenditures	(4,632,740)	183,963	(905,475)	(5,354,252)
Other Financing Sources (Uses):				
Issuance of Capital Lease	398,102	0	0	398,102
Proceeds from Sale of Capital Assets	7,826	0	0	7,826
Transfers In	0	0	942,933	942,933
Transfers (Out)	(942,933)	0	0	(942,933)
Total Other Financing Sources (Uses)	(537,005)	0	942,933	405,928
Net Change in Fund Balance	(5,169,745)	183,963	37,458	(4,948,324)
Fund Balance - Beginning of Year	8,140,342	4,938,237	1,738,763	14,817,342
Fund Balance - End of Year	\$2,970,597	\$5,122,200	\$1,776,221	\$9,869,018

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, 2016

Net Change in Fund Balance - Total Governmental Funds (\$4,948,324)

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	\$1,582,062	
Depreciation Expense	<u>(3,745,852)</u>	
		(2,163,790)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.

(804,261)

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

District pension contributions	\$3,927,173	
Cost of benefits earned net of employee contributions	<u>(3,354,813)</u>	
		572,360

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

Delinquent Property Taxes	\$151,598	
Interest	(1,213)	
Intergovernmental	<u>(97,120)</u>	
		53,265

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

3,662,158

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

(138,901)

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	(\$286,759)	
Amortization of Bond Premium	375,986	
Amortization of Deferred Charge on Refunding	(97,656)	
Bond Accretion	<u>(139,317)</u>	
		(147,746)

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.

(398,102)

Change in Net Position of Governmental Activities

(\$4,313,341)

See accompanying notes to the basic financial statements.

Springboro Community City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$27,403,282	\$28,005,663	\$28,010,844	\$5,181
Revenue in lieu of taxes	252,221	257,765	257,813	48
Tuition and Fees	636,812	650,811	650,931	120
Investment Earnings	42,879	43,822	43,830	8
Intergovernmental	18,056,270	18,453,184	18,456,598	3,414
Charges for Services	101,475	103,706	103,725	19
Other Revenues	129,898	132,753	132,778	25
Total Revenues	46,622,837	47,647,704	47,656,519	8,815
Expenditures:				
Current:				
Instruction:				
Regular	21,464,007	21,788,784	21,294,186	494,598
Special	6,386,493	6,483,129	6,335,964	147,165
Other	1,000,351	1,015,487	992,436	23,051
Support Services:				
Pupil	2,901,577	2,945,481	2,878,620	66,861
Instructional Staff	1,792,847	1,819,975	1,778,662	41,313
General Administration	188,874	191,732	187,380	4,352
School Administration	2,511,729	2,549,734	2,491,856	57,878
Fiscal	1,058,911	1,074,934	1,050,533	24,401
Business	157,132	159,510	155,889	3,621
Operations and Maintenance	4,084,632	4,146,438	4,052,315	94,123
Pupil Transportation	3,525,304	3,578,646	3,497,412	81,234
Central	437,636	444,257	434,173	10,084
Operation of Non-Instructional Services	9,334	9,475	9,260	215
Extracurricular Activities	106,908	108,525	106,062	2,463
Capital Outlay	885,104	898,497	878,101	20,396
Debt Service:				
Principal Retirement	629,984	639,517	625,000	14,517
Interest and Fiscal Charges	298,587	303,105	296,225	6,880
Total Expenditures	47,439,410	48,157,226	47,064,074	1,093,152
Excess of Revenues Over (Under) Expenditures	(816,573)	(509,522)	592,445	1,101,967
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	7,656	7,826	7,826	0
Transfers (Out)	(950,453)	(964,834)	(942,933)	21,901
Total Other Financing Sources (Uses)	(942,797)	(957,008)	(935,107)	21,901
Net Change in Fund Balance	(1,759,370)	(1,466,530)	(342,662)	1,123,868
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	8,368,439	8,368,439	8,368,439	0
Fund Balance - End of Year	\$6,609,069	\$6,901,909	\$8,025,777	\$1,123,868

See accompanying notes to the basic financial statements.

Springboro Community City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$71,080	\$136,754
Receivables (Net):		
Interest	<u> 5</u>	<u> 0</u>
Total Assets	<u> 71,085</u>	<u> 136,754</u>
Liabilities:		
Other Liabilities	<u> 0</u>	<u> 136,754</u>
Total Liabilities	<u> 0</u>	<u> \$136,754</u>
Net Position:		
Held in Trust	<u> 71,085</u>	
Total Net Position	<u> \$71,085</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, 2016

	Private Purpose Trust
Additions:	
Investment Earnings	89
Other	2,545
Total Additions	<u>2,634</u>
Deductions:	
Scholarships	<u>3,617</u>
Total Deductions	<u>3,617</u>
Change in Net Position	(983)
Net Position - Beginning of Year	<u>72,068</u>
Net Position - End of Year	<u><u>\$71,085</u></u>

See accompanying notes to the basic financial statements.

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Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies

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 252 non-certificated employees, 22 administrative employees, and 350 certificated full-time teaching personnel who provide services to 6,013 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 16 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 16 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 16 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 liabilities plus deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The General Fund is the operating fund of the School District and is used to account for 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 5). 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.

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Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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. The deferred of resources related to pension are explained in Note 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 taxes, investment earnings, and grants which are not collected in the available period. 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.

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.

Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has the authority to allocate appropriations to the function and object level without resolution by the Board.

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

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

amounts represent the final appropriation amounts passed by the Board during the fiscal year. As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a restriction, commitment or assignment of fund balance for subsequent-year expenditures for 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.

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 fair market 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.

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

The government-wide statement of net position reports \$6,768,512 in restricted net position, none of which is restricted by enabling legislation.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

Pensions

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

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,

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 14 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 Escrow 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

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.

During fiscal year 2016, investments were limited to STAR Ohio, Negotiable CDs, Commercial Paper, Treasury notes, and money market accounts.

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.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2016. STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2016.

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 2016 amounted to \$75,394.

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 - Budgetary Basis Of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budgetary basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis); and
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis. The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the General Fund.

Net Change in Fund Balance

	General
GAAP Basis	(\$5,169,745)
Revenue Accruals	4,349,384
Expenditure Accruals	988,929
Issuance of Debt	(398,102)
Encumbrances	(120,197)
Funds Budgeted Elsewhere	7,069
Budget Basis	(\$342,662)

Note 4 – Deposits and Investments

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

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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);
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, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the 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.

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency of instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2016, \$9,661,867 of the School District’s bank balance of \$9,937,640 was not covered by FDIC or collateralized by the financial institution’s public entity deposit pools in the manner described above.

As of June 30, 2016, the School District had the following investments and maturities:

	Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$33,170	0.13
Money Market Funds	1,654,094	0.00
Negotiable CD's	3,449,009	1.52
U.S. Treasury Note	150,029	1.83
Commercial Paper	328,900	0.00
Total Fair Value	<u>\$5,615,202</u>	
 Portfolio Weighted Average Maturity		 0.99

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, 2016. STAR Ohio is reported at its share price. 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.

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Investments in STAR Ohio were rated AAAM by Standard & Poor’s. Federal Home Loan Mortgage Association and Federal National Mortgage Association were rated AAAM by Standard & Poor’s and Aaa by Moody’s. U.S. Government Securities, Money Market Funds, Commercial Paper and Negotiable CD’s 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 0.6% in STAR Ohio, 29.1% in Money Market Funds, 2.7% in U.S. Treasury Notes, 5.7% in Commercial Paper, and 61.9% in Negotiable CD’s.

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.

Note 5 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half 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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected in 2016 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 2016 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$944,483,070
Public Utility Personal	<u>73,624,360</u>
Total Assessed Value	<u><u>\$1,018,107,430</u></u>

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, are available to finance fiscal year 2016 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, 2016, 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 receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2016, was \$1,072,469 and is recognized as revenue: \$870,592 in the General Fund and \$201,877 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.

Note 6 – Receivables

Receivables at June 30, 2016, consisted of property taxes, accounts, interfund, interest, and intergovernmental grants. 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 7 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,421,691	\$0	\$0	\$1,421,691
Capital Assets, being depreciated:				
Land Improvements	6,909,843	291,047	0	7,200,890
Buildings and Improvements	103,241,976	1,111,458	0	104,353,434
Furniture and Equipment	11,862,521	153,322	8,025	12,007,818
Vehicles	5,372,882	0	208,406	5,164,476
Totals at Historical Cost	<u>128,808,913</u>	<u>1,555,827</u>	<u>216,431</u>	<u>130,148,309</u>
Less Accumulated Depreciation:				
Land Improvements	4,073,476	329,899	0	4,403,375
Buildings and Improvements	34,891,274	2,563,405	0	37,454,679
Furniture and Equipment	10,041,592	435,747	8,025	10,469,314
Vehicles	4,280,864	125,291	208,406	4,197,749
Total Accumulated Depreciation	<u>53,287,206</u>	<u>3,454,342</u>	<u>216,431</u>	<u>56,525,117</u>
Governmental Activities Capital Assets, Net	<u>\$75,521,707</u>	<u>(\$1,898,515)</u>	<u>\$0</u>	<u>\$73,623,192</u>

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$1,859,150
Special	11,575
Support Services:	
Pupils	25,412
Instructional Staff	172,491
General Administration	1,412
School Administration	28,100
Fiscal	1,687
Business	1,484
Operations & Maintenance	975,796
Pupil Transportation	166,314
Central	819
Operation of Non-Instructional Services	69,302
Extracurricular Activities	140,800
Total Depreciation Expense	<u>\$3,454,342</u>

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Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 8 - Risk Management

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 2016, 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 9 – Employee Benefits

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 10 - Defined Benefit Pension Plans

Net Pension Liability

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 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; 2.2 percent for the first thirty years of service, 2.5 percent 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.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$980,681 for fiscal year 2016. Of this amount \$292,231 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,946,492 for fiscal year 2016. Of this amount \$534,928 is reported as accrued wages and benefits.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$12,355,686	\$53,944,340	\$66,300,026
Proportion of the Net Pension Liability	0.21653480%	0.19518831%	
Pension Expense	779,113	2,453,011	3,232,124

Springboro Community City School District, Ohio
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At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$197,137	\$2,445,709	\$2,642,846
Net difference between projected and actual earnings on pension plan investments	924,587	2,707,889	3,632,476
Changes in employer proportion and differences between contributions and proportionate share of contributions	125,001	(110,104)	14,897
District contributions subsequent to the measurement date	<u>980,681</u>	<u>2,946,492</u>	<u>3,927,173</u>
Total Deferred Outflows of Resources	<u>\$2,227,406</u>	<u>\$7,989,986</u>	<u>\$10,217,392</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,299,416	\$6,328,621	\$7,628,037
Changes in employer proportion and differences between contributions and proportionate share of contributions	34,555	258,886	293,441
Changes in employer proportionate share of net pension liability	<u>(220,723)</u>	<u>(1,574,699)</u>	<u>(1,795,422)</u>
Total Deferred Inflows of Resources	<u>\$1,113,248</u>	<u>\$5,012,808</u>	<u>\$6,126,056</u>

\$3,927,173 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	(\$78,281)	(\$464,744)	(\$543,025)
2018	(78,281)	(464,744)	(543,025)
2019	(79,208)	(464,743)	(543,951)
2020	<u>244,245</u>	<u>1,535,022</u>	<u>1,779,267</u>
Total	<u>\$8,475</u>	<u>\$140,791</u>	<u>\$149,266</u>

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
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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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$17,132,896	\$12,355,686	\$8,332,881

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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For the Fiscal Year Ended June 30, 2016

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
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calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$74,932,757	\$53,944,340	\$36,195,503

Note 11 - Post Employment Benefits

School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, 0.00 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$113,897.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$59,859, and \$115,173, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
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State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$198,302, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 12 - Long Term Obligations

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

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental Activities:						
<u>Bonds Payable:</u>						
1996 and 1991 Refunding Bonds	3.50-6.00%	\$1,470,000	\$0	\$1,470,000	\$0	\$0
2007 School Improvement Refunding Bonds	2.00-2.75%	45,315,000	0	540,000	44,775,000	885,000
Premium		4,378,473	0	243,248	4,135,225	0
2013 School Bus Acquisition Bond	1.50-2.00%	640,000	0	210,000	430,000	215,000
Premium		12,746	0	4,249	8,497	0
2015 Refunding Bonds	.50-3.10%					
Current Interest		13,255,000	0	370,000	12,885,000	1,895,000
Capital Appreciation		294,054	0	0	294,054	0
Accreted Interest		45,617	139,317	0	184,934	0
Premium		1,044,199	0	122,847	921,352	0
2002 OASBO Pool HB264 Loan		243,000	0	122,000	121,000	121,000
2015 HB264 COP Bonds	2.00-4.00%	4,935,000	0	185,000	4,750,000	190,000
Premium	2.00-4.00%	110,021	0	5,642	104,379	0
Subtotal Bonds		<u>71,743,110</u>	<u>139,317</u>	<u>3,272,986</u>	<u>68,609,441</u>	<u>3,306,000</u>
<u>Net Pension Liability:</u>						
STRS		46,077,199	9,358,854	1,491,713	53,944,340	0
SERS		10,745,799	2,254,036	644,149	12,355,686	0
Total Net Pension Liability		<u>56,822,998</u>	<u>11,612,890</u>	<u>2,135,862</u>	<u>66,300,026</u>	<u>0</u>
Capital Leases						
2002 OASBO Pool Lease		5,408,000	0	178,000	5,230,000	196,000
2004 OASBO Pool Lease Athletic Fields		1,579,000	0	127,000	1,452,000	138,000
2004 OASB Pool Lease Chillers		357,000	0	53,000	304,000	55,000
2004 OASBO Pool Lease Buses		781,000	0	25,000	756,000	26,000
2002 OASBO Pool Lease Buses		815,000	0	30,000	785,000	32,000
2004 OASBO Pool Lease MVH		3,055,000	0	104,000	2,951,000	114,000
2013 Computer Lease		87,401	0	87,401	0	0
2008 Bus Lease		56,614	0	13,210	43,404	13,820
2007 Bus Lease		363,907	0	115,619	248,288	121,212
2016 CC Modular Lease		0	398,102	31,928	366,174	43,845
Subtotal Capital Leases		<u>12,502,922</u>	<u>398,102</u>	<u>765,158</u>	<u>12,135,866</u>	<u>739,877</u>
Compensated Absences		1,745,169	530,988	361,611	1,914,546	254,022
Severance Plan		514,525	0	514,525	0	0
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM DEBT		<u>\$143,328,724</u>	<u>\$12,681,297</u>	<u>\$7,050,142</u>	<u>\$148,959,879</u>	<u>\$4,299,899</u>

Springboro High School Addition General Obligation Bonds - On February 7, 1996, the School District issued \$32,664,632 in voted general obligation bonds for the purpose of constructing a new high school building and to refund a 1991 School Improvement bond issuance. \$6,535,000 were issued as serial bonds with interest rates ranging from 3.50% to 4.40%, and maturity dates of December 1, 1996 to December 1, 2003. \$25,045,000 are term bonds with interest rates ranging from 5.10% to 6.00%, and maturity dates of December 1, 2011, 2016, and 2023. The bonds are being retired from the Bond Retirement Fund.

Springboro Capital Funding Loan - In 2002, Springboro Community City School District borrowed

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

\$1,829,000 from the Ohio School Boards Association School Expanded Asset Pooled Financing Program, for the purpose of HVAC improvements throughout the School District. The loan is for a fifteen year period with final maturity at June 2017. The debt is being retired from the General Fund.

Springboro School Improvement General Obligation Bonds – In July 15, 2004, Springboro Community City School District issued \$61,500,000 in General Obligation Bonds to replace the Bond Anticipation notes issued in the previous fiscal year. The balance above includes a premium received and accreted debt. The bonds will be retired from the Bond Retirement Fund. Of the \$61,165,000, \$31,210,000 are serial bonds with interest rates ranging from 2.0-5.125% and will mature in 2025. \$10,360,000, \$4,570,000, and \$9,025,000 are term bonds with interest rates of 5.00%, 4.75%, and 5.00% respectively. The maturity of these term bonds are 2027, 2029, and 2032 respectively. \$335,000 of the total was capital appreciation bonds. \$175,000 of these capital appreciation bonds had an interest rate of 36.26% and matured in fiscal year 2011. \$160,000 of the capital appreciation bonds had an interest rate of 36.22% and matured in fiscal year 2012.

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 is being retired from the General Fund.

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.

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, 2015, are as follows:

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Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$3,306,000	\$2,751,608	\$6,057,608	\$0	\$0	\$0
2018	3,600,000	2,666,631	6,266,631	0	0	0
2019	3,865,000	2,549,846	6,414,846	0	0	0
2020	2,800,000	2,420,054	5,220,054	294,054	1,300,946	1,595,000
2021	4,970,000	2,255,336	7,225,336	0	0	0
2022-2026	19,130,000	8,658,774	27,788,774	0	0	0
2027-2031	18,075,000	3,768,077	21,843,077	0	0	0
2032-2035	7,215,000	407,165	7,622,165	0	0	0
Total	<u>\$62,961,000</u>	<u>\$25,477,491</u>	<u>\$88,438,491</u>	<u>\$294,054</u>	<u>\$1,300,946</u>	<u>\$1,595,000</u>

Note 13 – Interfund Activity

Interfund Receivables/Payables

As of June 30, 2016 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	\$942,933
Other Governmental Funds	0	6,087	942,933	0
Total All Funds	<u>\$6,087</u>	<u>\$6,087</u>	<u>\$942,933</u>	<u>\$942,933</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 14 – Set-Aside Calculations And Fund Reserves

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.

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	Capital Maintenance Reserve
Set Aside Reserve Balance as of July 1, 2015	\$0
Current Year Set Aside Requirements	966,660
Qualifying Expenditures	<u>(1,458,258)</u>
Total	<u><u>(\$491,598)</u></u>
Set Aside Reserve Cash Balance as of June 30, 2016	\$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, 2016.

Note 15 – Capitalized Leases – Lessee Disclosure

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 2005 Springboro Community City School District entered into a lease agreement in the amount of \$206,310 to purchase four school buses. The agreement is for 10 years with a final maturity in 2014. The debt is being paid from the General Fund.

Copier Lease - During 2010 Springboro Community City School District entered into a lease agreement in the amount of \$240,842 to purchase copiers. The agreement is for 60 months, to be paid monthly, with a final maturity in 2015. The debt is being paid from the General Fund.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 is 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.

Computer Lease – During fiscal year 2014, Springboro Community City School District entered into a lease agreement in the amount of \$262,500 to purchase computers. The agreement is to be paid yearly, with a final maturity in fiscal year 2016. The debt is being paid from the General Fund.

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.

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, 2016:

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Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fiscal Year Ending June 30	Capital Leases
2017	\$1,344,812
2018	1,363,181
2019	1,244,899
2020	1,245,515
2021	1,258,365
2022-2026	5,509,556
2027-2031	4,833,563
2032-2034	265,342
Total Minimum Lease Payments	\$17,065,233
Less: Administrative Fees and Interest	(4,929,367)
Present Value of Minimum Lease Payments	<u>\$12,135,866</u>

Note 16 - Jointly Governed Organizations

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. 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 Michael Crumley, 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 Karen Royer, 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, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 17 – Contingencies

Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the 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 disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

Litigation

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

Note 18 – Accountability

As of June 30, 2016 the following funds had deficit fund balances:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Education Management Information System	\$403
Chapter 2	3,766
One Net	558
	<u>\$4,727</u>

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 19 – Fund Balances

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:

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
Nonspendable:				
Prepays	\$14,947	\$0	\$387	\$15,334
Total Nonspendable	14,947	0	387	15,334
Restricted for:				
Chapter 1	0	0	8,932	8,932
Food Service	0	0	854,642	854,642
Title VI-R	0	0	495	495
Title VI-B	0	0	110,622	110,622
SC Drug Free	0	0	2,873	2,873
District Managed Student Activity	0	0	399,035	399,035
Auxiliary Services	0	0	40,566	40,566
High School That Works	0	0	3,417	3,417
Preschool Grant	0	0	3,182	3,182
Building	0	0	356,797	356,797
Debt Services Payments	0	5,122,200	0	5,122,200
Total Restricted	0	5,122,200	1,780,561	6,902,761
Assigned to:				
Encumbrances	69,716	0	0	69,716
Budgetary Resource	1,280,557	0	0	1,280,557
Public Schools	202,531	0	0	202,531
Total Assigned	1,552,804	0	0	1,552,804
Unassigned (Deficit)	1,402,846	0	(4,727)	1,398,119
Total Fund Balance	\$2,970,597	\$5,122,200	\$1,776,221	\$9,869,018

Note 20 – Implementation of New Accounting Principles

For the fiscal year ended June 30, 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

Note 21 –Restatement of Net Position

The restatement of capital assets is due to the District changing the capital asset threshold from \$500 to \$5,000 and it had the following effect on net position as reported June 30, 2015:

Net position June 30, 2015	(\$55,566,326)
Adjustments:	
Restatement of Net Capital Assets	<u>(1,658,208)</u>
Restated Net Position June 30, 2015	<u><u>(\$57,224,534)</u></u>

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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 Three Fiscal Years (1)

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.19518831%	0.18943521%	0.18943521%
District's Proportionate Share of the Net Pension Liability	\$53,944,340	\$46,077,199	\$54,739,045
District's Covered-Employee Payroll	\$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	274.28%	221.06%	279.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available

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 Three Fiscal Years (1)

	2015	2014	2013
District's Proportionate Share of the Net Pension Liability	0.21653480%	0.21232800%	0.21232800%
District's Proportionate Share of the Net Pension Liability	\$12,355,686	\$10,745,799	\$10,902,697
District's Covered-Employee Payroll	\$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	159.34%	172.43%	199.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) - Information prior to 2013 is not available

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$2,946,492	\$2,753,436	\$2,709,706	\$2,752,692	\$2,594,376	\$2,571,972	\$2,854,704	\$2,927,616	\$2,785,188	\$2,462,004
Contributions in Relation to the Contractually Required Contribution	(2,946,492)	(2,753,436)	(2,709,706)	(2,752,692)	(2,594,376)	(2,571,972)	(2,854,704)	(2,927,616)	(2,785,188)	(2,462,004)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$21,046,371	\$19,667,400	\$20,843,892	\$19,589,763	\$20,221,629	\$20,307,721	\$20,269,602	\$19,969,053	\$19,709,897	\$18,400,353
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	14.05%	12.83%	12.66%	14.08%	14.66%	14.13%	13.38%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$980,681	\$1,021,992	\$863,776	\$1,150,824	\$1,099,680	\$1,055,496	\$1,014,360	\$1,017,768	\$963,468	\$841,932
Contributions in Relation to the Contractually Required Contribution	<u>(980,681)</u>	<u>(1,021,992)</u>	<u>(863,776)</u>	<u>(1,150,824)</u>	<u>(1,099,680)</u>	<u>(1,055,496)</u>	<u>(1,014,360)</u>	<u>(1,017,768)</u>	<u>(963,468)</u>	<u>(841,932)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$7,004,864	\$7,754,112	\$6,232,150	\$5,463,557	\$5,445,008	\$5,447,042	\$5,583,336	\$5,924,022	\$6,245,499	\$5,803,127
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	21.06%	20.20%	19.38%	18.17%	17.18%	15.43%	14.51%

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**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2016	10.555		\$88,518
Cash Assistance:				
National School Lunch Program	2016	10.555	207,806	0
Total Child Nutrition Cluster			207,806	88,518
Total U.S. Department of Agriculture			207,806	88,518
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education Grants to States	2016	84.027	688,576	0
Special Education Grants to States	2015	84.027	131,069	0
Total Special Education Grants to States			819,645	0
Special Education - Preschool Grants	2016	84.173	17,677	0
Total Special Education Cluster			837,322	0
Title I Grants to Local Educational Agencies	2016	84.010	181,456	0
Title I Grants to Local Educational Agencies	2015	84.010	11,348	0
Total Title I Grants to Local Educational Agencies			192,804	0
Title II-A Improving Teacher Quality State Grants	2016	84.367	36,858	0
Total U.S. Department of Education			1,066,984	0
Total Federal Awards			\$1,274,790	\$88,518

The accompanying notes are an integral part of this schedule.

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Springboro Community City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Springboro Community City School District
Warren County
1685 South Main Street
Springboro, Ohio 45066

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Springboro Community City School District, Warren County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

Compliance and Other Matters

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

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Springboro Community City School District
Warren County
1685 South Main Street
Springboro, Ohio 45066

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Springboro Community City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Springboro Community City School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Springboro Community City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 27, 2017

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA # 84.027, 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2016-001

Significant Deficiency

When implementing the District's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities, periodically reconciling assets and liabilities to the accounting records and performing analytical procedures to determine the reasonableness of financial data.

The District lacked oversight to ensure proper calculation and disclosure of its capital assets. Specifically, changed the threshold to recognize capital assets from \$500 to \$5,000 effective July 1, 2014. However, the District's asset reports did not reflect this change. As a result, the following errors related to reporting capital assets occurred:

FINDING NUMBER 2016-001

- Prior period depreciable assets were overstated by \$6,769,021 and prior period accumulated depreciation was overstated by \$5,110,813, for a net overstatement of \$1,658,208 of prior period total assets and net position.
- Fiscal year 2016 depreciation expenses were overstated by \$291,510.
- Depreciable assets at year-end were overstated by \$6,199,401 and accumulated depreciation at year-end was overstated by \$5,610,729 for a net overstatement of \$588,672 on FY16 year-end net assets.

Also, the District did not remove four buses from the capital asset listing when they were disposed of in fiscal year 2014. This oversight led to an overstatement of \$208,406 to both capital assets and accumulated depreciation.

The District posted audit adjustments to the accompanying financial statements and District records to correct the above variances.

Failure to accurately present capital asset valuations and related depreciation could result in a material financial misstatement. We recommend that the District implement controls to ensure accurate reporting of capital assets.

Officials' Response:

The district changed their inventory threshold from \$500 to \$5,000 which went into effect for the 15/16 school year. The district changed the threshold in the EIS system. This changed the threshold in the pending files but not in the system that calculates depreciation. The district did a ticket to their ITC which stated that change had to be made by them. The ITC changed the threshold in the depreciation file, and moving forward the report will calculate correctly. The district had not received any indication that there was a discrepancy during the GAAP conversion. The converters placed the non-material amount in as an adjustment.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-002	34 CFR §300.623 (a) , protecting the confidentiality of personally identifiable information	Corrective Action Taken and Finding is Fully Corrected	

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**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Contacted the ITC (SWOCA). They changed the threshold from \$500.00 to \$5,000 in their system. This has changed the calculation formula used in determining the depreciation that is used for capital assets on the GAAP conversion for the financial statements. Our converters who prepare the financial statements have made a prior period adjustment and added a footnote to disclose.	2/15/17	Terrah Floyd

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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
APRIL 11, 2017**