



Dave Yost • Auditor of State

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2017**

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MAHONING COUNTY
JUNE 30,2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Canfield Local School District
Mahoning County
100 Wadsworth Street
Canfield, Ohio 44406

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canfield Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Canfield Local School District, Mahoning County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 21, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 21, 2018

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

This discussion and analysis of Canfield Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, Net Position decreased by \$983,045.
- Revenues for governmental activities totaled \$30,683,775 in fiscal year 2017. Of this total, 92 percent consisted of general revenues while program revenues accounted for the balance of 8 percent.
- Program expenses totaled \$31,666,820. Instructional expenses made up 63 percent of this total while support services accounted for 30 percent. Other expenses rounded out the remaining 7 percent.
- The general fund balance was \$14,229,132 on a budget basis at fiscal year-end, up from \$13,230,481 at June 30, 2016.
- The District's total net pension liability increased to \$45,556,610 from \$37,490,035. For more information on this liability see Note 11 to the basic financial statement.

Using this Annual Financial Report

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

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

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and the changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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.

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The School District as a Whole

Recall that the statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for 2017 compared to 2016:

Net Position (Table 1)			
Governmental Activities			
	2017	2016	Change
Assets			
Current and Other Assets	\$35,547,935	\$34,397,817	\$1,150,118
Capital Assets, Net	12,311,575	12,712,302	(400,727)
<i>Total Assets</i>	47,859,510	47,110,119	749,391
Deferred Outflows of Resources			
Pension	9,038,767	4,578,870	4,459,897
Liabilities			
Current Liabilities	2,149,493	2,735,478	(585,985)
Long-Term Liabilities			
Due within One Year	228,379	255,428	(27,049)
Due in More than One Year:			
Net Pension Liability	45,556,610	37,490,035	8,066,575
Other Amounts	3,305,115	2,849,188	455,927
<i>Total Liabilities</i>	51,239,597	43,330,129	7,909,468
Deferred Inflows of Resources			
Property Taxes	19,083,578	18,631,980	451,598
Pension	379,050	2,547,783	(2,168,733)
<i>Total Deferred Inflows of Resources</i>	19,462,628	21,179,763	(1,717,135)
Net Position			
Net Investment in Capital Assets	11,953,949	12,566,503	(612,554)
Restricted	1,598,181	1,378,275	219,906
Unrestricted (Deficit)	(27,356,078)	(26,765,681)	(590,397)
<i>Total Net Position</i>	(\$13,803,948)	(\$12,820,903)	(\$983,045)

The net pension liability (NPL) is the largest single liability reported by the District and is reported pursuant to GASB Statement No 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net pension and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions manually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach

Canfield Local School District
Mahoning County, Ohio

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to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB No. 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

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

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

In accordance with GASB No. 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

Total assets increased by \$749,391, due mostly to an increase in cash and the amount of property taxes receivable related to the passage of the 5.9 mill, five year, current operating expense levy. Capital assets decreased as a result of annual depreciation expense exceeding capital outlays.

Total liabilities increased by \$7,909,468 due to the increase in net pension liability of \$8,066,575. Liabilities exclusive of the NPL reflect an overall decrease. By comparing assets, deferred outflows, liabilities and deferred inflows of resources, one can see the overall position of the School District has decreased as evidenced by the decrease in net position of \$983,045.

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2 shows the changes in Net Position for fiscal year 2017.

Table 2
Change in Net Position
Governmental Activities

	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,215,095	\$1,226,566	(\$11,471)
Operating Grants and Contributions	1,352,540	1,155,571	196,969
Capital Grants and Contributions	23,000	38,000	(15,000)
<i>Total Program Revenues</i>	<u>2,590,635</u>	<u>2,420,137</u>	<u>170,498</u>
General Revenues			
Property Taxes	19,031,195	19,090,466	(59,271)
Intergovernmental	8,890,780	8,915,325	(24,545)
Investment Earnings	136,842	138,153	(1,311)
Miscellaneous	25,958	37,222	(11,264)
Gain on Sale of Capital Assets	8,365	388	7,977
<i>Total General Revenues</i>	<u>28,093,140</u>	<u>28,181,554</u>	<u>(88,414)</u>
<i>Total Revenues</i>	<u>30,683,775</u>	<u>30,601,691</u>	<u>82,084</u>
Program Expenses			
Current:			
Instruction:			
Regular	15,396,366	13,930,197	1,466,169
Special	4,053,785	3,617,913	435,872
Vocational	410,480	321,694	88,786
Support Services:			
Pupils	1,444,968	1,378,417	66,551
Instructional Staff	954,382	836,209	118,173
Board of Education	43,973	45,149	(1,176)
Administration	1,961,662	1,657,079	304,583
Fiscal	612,392	580,848	31,544
Business	85,370	95,236	(9,866)
Operation and Maintenance of Plant	2,047,008	2,090,008	(43,000)
Pupil Transportation	2,408,342	1,964,013	444,329
Central	76,767	71,646	5,121
Operation of Non-Instructional Services	50,087	42,507	7,580
Operation of Food Services	1,152,744	1,087,581	65,163
Extracurricular Activities	964,452	967,728	(3,276)
Interest and Fiscal Charges	4,042	5,486	(1,444)
<i>Total Program Expenses</i>	<u>31,666,820</u>	<u>28,691,711</u>	<u>2,975,109</u>
<i>Change in Net Position</i>	(983,045)	1,909,980	(2,893,025)
Net Position Beginning of Year	(12,820,903)	(14,730,883)	1,909,980
<i>Net Position (Deficit) End of Year</i>	<u>(\$13,803,948)</u>	<u>(\$12,820,903)</u>	<u>(\$983,045)</u>

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five fiscal years.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Approximately 63 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass 30 percent. The remaining amount of program expenses, 7 percent, is budgeted to pay for other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 60 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 28 percent and program revenues support the remaining expenses.

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

Table 3
Total and Net Cost of Program Services

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$15,396,366	\$15,025,756	\$13,930,197	\$13,570,511
Special	4,053,785	3,684,522	3,617,913	3,247,693
Vocational	410,480	371,754	321,694	321,694
Support Services:				
Pupils	1,444,968	1,332,017	1,378,417	1,297,976
Instructional Staff	954,382	884,346	836,209	794,019
Board of Education	43,973	43,973	45,149	45,149
Administration	1,961,662	1,745,789	1,657,079	1,525,846
Fiscal	612,392	612,269	580,848	580,707
Business	85,370	85,370	95,236	95,236
Operation and Maintenance of Plant	2,047,008	2,021,408	2,090,008	2,048,053
Pupil Transportation	2,408,342	2,408,342	1,964,013	1,964,013
Central	76,767	69,567	71,646	64,446
Operation of Non-Instructional Services	50,087	(14,364)	42,507	(14,123)
Food Service Operation	1,152,744	129,337	1,087,581	59,730
Extracurricular Activities	964,452	672,057	967,728	665,138
Interest and Fiscal Charges	4,042	4,042	5,486	5,486
<i>Total Expenditures</i>	<u>\$31,666,820</u>	<u>\$29,076,185</u>	<u>\$28,691,711</u>	<u>\$26,271,574</u>

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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The School District's Funds

Information regarding the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$30,896,288, excluding other financing sources, to offset expenditures of \$29,758,390. The net change in fund balance for the year was most significant in the general fund, which increased by \$1,483,318.

Within the general fund revenues increased by \$3,106, and expenditures also increased by \$1,176,700 from the prior year, however revenues continue to exceed expenditures, resulting in the overall increase to fund balance. Prior to the passage of the 5.9 mill, five year current operating expense levy in 2013, District expenditures outpaced revenues within the general fund. For fiscal year 2017, revenues exceeded expenditures by \$1,483,318.

As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property taxes are the largest revenue source, accounting for nearly 62 percent of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Canfield Local School District.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its original budget as needed. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, actual revenue equaled the final estimate. Actual expenditures totaled \$481,782 more than original appropriations but \$33,768 less than final appropriations. The majority of this difference was due to increased costs of school choice.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$12,311,575 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

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

	2017	2016
Land	\$441,370	\$441,370
Land Improvements	0	37,556
Buildings and Improvements	10,007,407	10,480,264
Furniture, Fixtures and Equipment	451,167	457,515
Vehicles	1,411,631	1,295,597
<i>Total</i>	<u>\$12,311,575</u>	<u>\$12,712,302</u>

All capital assets, except land, are reported net of depreciation. As one can see, an overall decrease in capital assets of \$400,727 occurred during the fiscal year. The majority of this decrease is due to annual depreciation of \$828,148 exceeding capital outlays. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Debt

Table 5 summarizes the School District's long-term obligations outstanding at fiscal year end.

Table 5
Outstanding Debt at Year End

	2017	2016
2014 Bus Acquisition Note	\$0	\$145,799
2017 Bus Acquisition Note	357,626	0
<i>Total</i>	<u>\$357,626</u>	<u>\$145,799</u>

The 2017 bus acquisition note was issued to finance the cost of new busses for the District. For more information about the School District's debt, see Note 13 to the basic financial statements.

Current Financial Issues

The Canfield Local School District has continued to maintain a high level of service to our students, parents and community. This has been accomplished while maintaining an average cost per pupil well below the state average. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and are working diligently to make sure tax dollars are being used efficiently and effectively.

The School District's administration strives to be excellent stewards of their residents' investment in the schools by continuing their practice of being prudent and frugal in the use of their resources while also seeking new ways of obtaining grants and other funds. However, major changes in funding from the state and federal government combined with increased expenditures necessitated the need for an additional 5.9 mill, five-year current operating

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Unaudited*

expense levy which was approved by voters in November of 2013 and subsequently renewed in November of 2017 for another five years. This levy allowed the District to institute all-day kindergarten, reinstate high school transportation, provide much needed technology and safety upgrades as well as expand course offerings all while maintaining a promise to voters to avoid deficit spending for a period of five years from the date of levy passage. The School District is very grateful to the community for their continued financial support which will help toward reaching the District's new vision to create an educational environment which challenges each student to achieve at the highest potential, leading to top 10 rankings in Ohio by 2022.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Patricia L. Prince, Treasurer, Canfield Local School District, 100 Wadsworth Street, Canfield, Ohio 44406 or email at pprince@canfieldschools.net.

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Canfield Local School District

Mahoning County, Ohio

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$14,509,084
Investments	1,500,000
Accrued Interest Receivable	13,386
Accounts Receivable	60,189
Property Taxes Receivable	19,370,874
Inventory Held for Resale	6,110
Materials and Supplies Inventory	88,292
Nondepreciable Capital Assets	441,370
Depreciable Capital Assets, Net	11,870,205
<i>Total Assets</i>	<u>47,859,510</u>
Deferred Outflows of Resources	
Pension:	
STRS	7,072,543
SERS	1,966,224
<i>Total Deferred Outflows of Resources</i>	<u>9,038,767</u>
Liabilities	
Accounts Payable	27,489
Accrued Wages and Benefits Payable	1,759,711
Intergovernmental Payable	360,549
Matured Compensated Absences Payable	125
Accrued Interest Payable	1,619
Long-Term Liabilities:	
Due Within One Year	228,379
Due In More Than One Year:	
Net Pension Liability (See Note 11)	45,556,610
Other Amounts Due in More than One Year	3,305,115
<i>Total Liabilities</i>	<u>51,239,597</u>
Deferred Inflows of Resources	
Property Taxes	19,083,578
Pension:	
STRS	322,167
SERS	56,883
<i>Total Deferred Inflows of Resources</i>	<u>19,462,628</u>
Net Position	
Net Investment in Capital Assets	11,953,949
Restricted for:	
Capital Projects	578,828
Debt Service	646,567
Other Purposes	293,663
Instructional Materials and Supplies:	
Expendable	4,071
Nonexpendable	75,052
Unrestricted (Deficit)	(27,356,078)
<i>Total Net Position</i>	<u><u>(\$13,803,948)</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$15,396,366	\$121,431	\$249,179	\$0	(\$15,025,756)
Special	4,053,785	14,756	354,507	0	(3,684,522)
Vocational	410,480	7,926	30,800	0	(371,754)
Support Services:					
Pupils	1,444,968	0	112,951	0	(1,332,017)
Instructional Staff	954,382	0	70,036	0	(884,346)
Board of Education	43,973	0	0	0	(43,973)
Administration	1,961,662	0	215,873	0	(1,745,789)
Fiscal	612,392	0	123	0	(612,269)
Business	85,370	0	0	0	(85,370)
Operation and Maintenance of Plant	2,047,008	2,600	0	23,000	(2,021,408)
Pupil Transportation	2,408,342	0	0	0	(2,408,342)
Central	76,767	0	7,200	0	(69,567)
Operation of Non-Instructional Services	50,087	21,840	42,611	0	14,364
Operation of Food Services	1,152,744	756,777	266,630	0	(129,337)
Extracurricular Activities	964,452	289,765	2,630	0	(672,057)
Interest and Fiscal Charges	4,042	0	0	0	(4,042)
<i>Total Governmental Activities</i>	<u>\$31,666,820</u>	<u>\$1,215,095</u>	<u>\$1,352,540</u>	<u>\$23,000</u>	<u>(29,076,185)</u>
General Revenues					
Property Taxes Levied for:					
					18,438,244
					99,127
					493,824
Grants and Entitlements not					
					8,890,780
					136,842
					25,958
					8,365
<i>Total General Revenues</i>					<u>28,093,140</u>
					(983,045)
					(12,820,903)
					<u>(\$13,803,948)</u>

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

*Balance Sheet
Governmental Funds
June 30, 2017*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$12,805,327	\$1,703,757	\$14,509,084
Investments	1,500,000	0	1,500,000
Accrued Interest Receivable	13,386	0	13,386
Accounts Receivable	55,156	5,033	60,189
Property Taxes Receivable	18,767,115	603,759	19,370,874
Inventory Held for Resale	0	6,110	6,110
Materials and Supplies Inventory	86,862	1,430	88,292
<i>Total Assets</i>	<u>\$33,227,846</u>	<u>\$2,320,089</u>	<u>\$35,547,935</u>
Liabilities			
Accounts Payable	\$2,334	\$25,155	\$27,489
Accrued Wages and Benefits Payable	1,738,384	21,327	1,759,711
Intergovernmental Payable	357,189	3,360	360,549
Matured Compensated Absences Payable	125	0	125
<i>Total Liabilities</i>	<u>2,098,032</u>	<u>49,842</u>	<u>2,147,874</u>
Deferred Inflows of Resources			
Property Taxes	18,489,542	594,036	19,083,578
Unavailable Revenue - Property Taxes	137,092	5,204	142,296
<i>Total Deferred Inflows of Resources</i>	<u>18,626,634</u>	<u>599,240</u>	<u>19,225,874</u>
Fund Balances			
Nonspendable	86,862	71,821	158,683
Restricted	0	1,585,655	1,585,655
Committed	15,861	13,531	29,392
Assigned	67,220	0	67,220
Unassigned	12,333,237	0	12,333,237
<i>Total Fund Balances</i>	<u>12,503,180</u>	<u>1,671,007</u>	<u>14,174,187</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$33,227,846</u>	<u>\$2,320,089</u>	<u>\$35,547,935</u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2017*

Total Governmental Fund Balances	\$14,174,187
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,311,575
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Property Taxes	142,296
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
STRS	(37,265,925)
SERS	(8,290,685)
Total	(45,556,610)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions:	
STRS	7,072,543
SERS	1,966,224
Total	9,038,767
Deferred inflows of resources related to pensions:	
STRS	(322,167)
SERS	(56,883)
Total	(379,050)
In the statement of net position, interest is accrued on outstanding loans, whereas in governmental funds an interest expenditure is reported when due.	(1,619)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bus Purchase Notes	(357,626)
Compensated Absences	(3,175,868)
Total	(3,533,494)
 <i>Net Position of Governmental Activities</i>	 <u><u>(\$13,803,948)</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$18,652,171	\$599,902	\$19,252,073
Tuition and Fees	144,113	0	144,113
Interest	128,183	8,659	136,842
Charges for Services	0	756,777	756,777
Extracurricular Activities	44,920	244,845	289,765
Rentals	21,840	2,600	24,440
Contributions and Donations	97,740	52,180	149,920
Intergovernmental	8,789,871	1,326,529	10,116,400
Miscellaneous	24,504	1,454	25,958
<i>Total Revenues</i>	<u>27,903,342</u>	<u>2,992,946</u>	<u>30,896,288</u>
Expenditures			
Current:			
Instruction:			
Regular	13,740,534	326,685	14,067,219
Special	3,446,024	354,917	3,800,941
Vocational	328,738	30,800	359,538
Support Services:			
Pupils	1,233,629	114,051	1,347,680
Instructional Staff	812,063	70,036	882,099
Board of Education	43,973	0	43,973
Administration	1,695,114	118,133	1,813,247
Fiscal	590,169	10,586	600,755
Business	84,605	0	84,605
Operation and Maintenance of Plant	1,913,870	32,777	1,946,647
Pupil Transportation	1,848,138	334,535	2,182,673
Central	67,669	7,200	74,869
Operation of Non-Instructional Services	0	49,303	49,303
Operation of Food Services	0	1,047,272	1,047,272
Extracurricular Activities	615,498	263,315	878,813
Capital Outlay	0	429,896	429,896
Debt Service:			
Principal Retirement	0	145,799	145,799
Interest and Fiscal Charges	0	3,061	3,061
<i>Total Expenditures</i>	<u>26,420,024</u>	<u>3,338,366</u>	<u>29,758,390</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,483,318</u>	<u>(345,420)</u>	<u>1,137,898</u>
Other Financing Sources (Uses)			
Proceeds of Notes	0	357,626	357,626
Proceeds from Sale of Capital Assets	0	10,840	10,840
Transfers In	213,781	213,781	427,562
Transfers Out	(213,781)	0	(213,781)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>582,247</u>	<u>582,247</u>
<i>Net Change in Fund Balances</i>	1,483,318	236,827	1,720,145
<i>Fund Balances Beginning of Year</i>	11,019,862	1,434,180	12,454,042
<i>Fund Balances End of Year</i>	<u>\$12,503,180</u>	<u>\$1,671,007</u>	<u>\$14,174,187</u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$1,720,145
 Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay and capital donations in the current period.	
Capital Outlay	429,896
Current Year Depreciation	<u>(828,148)</u>
Total	(398,252)
The net effect of various transactions involving capital assets (i.e.; disposals, sales and donations) is a reduction in net position.	
Assets Disposed	(163,007)
Accumulated Depreciation on Disposals	<u>160,532</u>
Total	(2,475)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(220,878)
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.	
Direct pension contributions	
STRS	1,768,727
SERS	<u>529,911</u>
Total	2,298,638
Cost of benefits earned net of employee contributions	
STRS	(2,881,360)
SERS	<u>(855,223)</u>
Total	(3,736,583)
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.	
Bus Purchase Note Issued	(357,626)
Repayment of long-term debt and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	145,799
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.	
Accrued Interest on Bonds	(981)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	(217,051)
The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	
	<u>(213,781)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>(\$983,045)</u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$18,327,300	\$18,783,938	\$18,783,938	\$0
Tuition and Fees	141,601	136,187	136,187	0
Interest	150,293	144,547	144,547	0
Rentals	24,200	23,275	23,275	0
Intergovernmental	8,516,000	8,798,034	8,798,034	0
Miscellaneous	906	871	871	0
<i>Total Revenues</i>	<u>27,160,300</u>	<u>27,886,852</u>	<u>27,886,852</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	13,801,475	14,070,655	14,061,721	8,934
Special	3,419,600	3,486,295	3,486,145	150
Vocational	330,847	337,300	334,968	2,332
Support Services:				
Pupils	1,234,723	1,258,805	1,258,085	720
Instructional Staff	820,502	836,505	831,869	4,636
Board of Education	43,703	44,555	43,973	582
Administration	1,555,056	1,585,385	1,582,254	3,131
Fiscal	584,255	595,650	592,472	3,178
Business	85,826	87,500	84,605	2,895
Operation and Maintenance of Plant	1,907,378	1,946,090	1,945,167	923
Pupil Transportation	1,939,757	1,977,590	1,972,541	5,049
Central	68,538	69,875	69,208	667
Extracurricular Activities	615,540	627,545	627,193	352
<i>Total Expenditures</i>	<u>26,407,200</u>	<u>26,923,750</u>	<u>26,890,201</u>	<u>33,549</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>753,100</u>	<u>963,102</u>	<u>996,651</u>	<u>33,549</u>
Other Financing Sources (Uses)				
Transfers In	215,000	213,781	213,781	0
Transfers Out	(215,000)	(214,000)	(213,781)	219
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(219)</u>	<u>0</u>	<u>219</u>
<i>Net Change in Fund Balance</i>	753,100	962,883	996,651	33,768
<i>Fund Balance Beginning of Year</i>	13,230,481	13,230,481	13,230,481	0
Prior Year Encumbrances Appropriated	2,000	2,000	2,000	0
<i>Fund Balance End of Year</i>	<u>\$13,985,581</u>	<u>\$14,195,364</u>	<u>\$14,229,132</u>	<u>\$33,768</u>

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

*Statement of Revenues,
Expenses and Changes in Proprietary Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017*

	<u>Internal Service</u>
Operating Revenues	\$0
Operating Expenses	<u>0</u>
<i>Operating Income (Loss)</i>	0
Non-Operating Expenses	
Transfers Out	<u>(213,781)</u>
<i>Net Position Beginning of Year</i>	<u>213,781</u>
<i>Net Position End of Year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Internal Service</u>
<i>Decrease in Cash and Cash Equivalents</i>	
Cash Flows from Non-Capital Financing Activities	
Transfers Out	<u>(\$213,781)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(213,781)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>213,781</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$41,298	\$119,427
Liabilities		
Due to Students	0	\$119,427
Net Position		
Held in Trust for Scholarships	\$41,298	

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Fund

For the Fiscal Year Ended June 30, 2017

	<u>Scholarship</u>
Additions	
Interest	\$877
Deductions	
Scholarships Awarded	<u>1,000</u>
<i>Change in Net Position</i>	(123)
<i>Net Position Beginning of Year</i>	<u>41,421</u>
<i>Net Position End of Year</i>	<u><u>\$41,298</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District's four instructional support facilities staffed by 143 non-certificated and 177 certified teaching personnel and 10 administrators who provide services to students and other community members.

The School District is located in Canfield Ohio, Mahoning County. The average daily membership for the School District during the 2017 fiscal year was 2,873. The School District operates two elementary schools (K-4), one middle school (5-8), and one high school (9-12).

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. 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. There are no component units of the Canfield Local School District.

The School District participates in two jointly governed organizations and one public entity risk pool. These organizations are the Area Cooperative Computerized Educational Service System Council of Governments, the Mahoning County Career and Technical Center and the Mahoning County Schools Employee Insurance Consortium. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

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

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

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

Canfield Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. Prior to January 1, 2015, the School District's only internal service fund was a self-insurance fund that was used to account for prescription drug, dental and vision claims. Subsequent to January 1, 2015 the District contracted with the Mahoning County School Employees Insurance Consortium to account for these aforementioned benefits in addition to the current servicing of medical claims. The internal service fund balance was transferred out and the fund was closed during fiscal year 2017.

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust fund. The money in the fund is used to grant college scholarships to certain eligible students of the School District. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

The private purpose trust fund is accounted for using the economic resources measurement focus.

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases 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 values, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

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

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

The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available

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Notes to the Basic Financial Statements
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period. For the District unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide of statement of net position (see Note 11).

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

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets 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 been given authority to allocate board appropriations to the function and object levels within each fund.

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2017, investments were limited to certificates of deposit, Federal National Mortgage Association Bonds, Federal Farm Credit Bureau Bonds, and STAR Ohio.

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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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79' "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business days(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$128,183, a negative \$4,084 of which was assigned from other School District funds.

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

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. See Note 15 for additional information regarding set asides.

I. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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.

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For the Fiscal Year Ended June 30, 2017

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

All reported capital assets, except land, 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 years
Buildings and Improvements	45 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	10 years

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment 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 School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term notes are recognized as a liability on the fund financial statements when due.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

L. Net Position

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

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

M. Fund Balance

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the 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 the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The 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.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

O. Interfund Activity

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

P. 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.

Q. Estimates

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

Note 3 – Change in Accounting Principle

For fiscal year 2017, the District has implemented Governmental Accounting Standards Board (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 67 and 68”, Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”, Statement No. 77, “Tax Abatement Disclosures”, Statement No. 78, “Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans”, Statement No. 80, “Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14”, and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”.

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For the Fiscal Year Ended June 30, 2017

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 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 No. 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 74 aims to improve the usefulness of information about other postemployment benefits (OPEB) other than pensions, included in general purpose external financial reports of state and local government benefit plans, for making decisions and assessing accountability. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement and presentation of information about OPEB and is closely related to Statement No. 74, but will not be implemented until next fiscal year for the District. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the District.

GASB Statement No. 77 gives users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature of tax abatements will make these transactions more transparent to financial statement users. These changes were incorporated in the District's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local government employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 aims to improve financial reporting by clarifying the financial statement presentation requirements for component units that are organized as non-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
 2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
 3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP).
 4. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the public school support, community television and underground storage special revenue funds.

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

Net Change in Fund Balance	
GAAP Basis	\$1,483,318
Net Adjustment for Revenue Accruals	(4,073)
Net Adjustment for Funds Budgeted as Special Revenue	(12,417)
Net Adjustment for Expenditure Accruals	(469,677)
Adjustment for Encumbrances	<u>(500)</u>
Budget Basis	<u><u>\$996,651</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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Notes to the Basic Financial Statements
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Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At year end, the District had \$1,342 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

At June 30, 2017, the carrying value amount of all the District's deposits was \$13,560,018. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2017, \$5,052,413 of the District's bank balance of \$14,062,413 was exposed to custodial risk as described below. \$9,010,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Investments

As of June 30, 2017, the School District had the following investments. All investments are in an internal investment pool.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	Fair Value	Maturity
STAR Ohio	\$293,989	6 months or less
Federal National Mortgage Association	1,196,500	1 to 3 years
Federal Farm Credit Bureau	1,117,960	1 to 3 years
Total Portfolio	\$2,608,449	

STAR Ohio is measured at net asset value per share.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk STAR Ohio carries a rating of AA^m by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal National Mortgage Association bonds, and Federal Farm Credit bond carry a rating of AA⁺ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk For an investment, 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. 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.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2017:

Investment	Percent of Total
Federal National Mortgage Association	45.87%
STAR Ohio	11.27%
Federal Farm Credit Bureau	42.86%
Total	100.00%

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net position as of June 30, 2017:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Position</u>	
Carrying amount of deposits	\$13,560,018	Governmental Activities	\$16,009,084
Investments	2,608,449	Private Purpose Trust Fund	41,298
Cash on Hand	1,342	Agency Fund	119,427
Total	\$16,169,809		\$16,169,809

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar 2017 represent collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 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 District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2017 was \$140,481 in the general fund, \$755 in the bond retirement debt service fund, and \$3,764 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been made unavailable.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$553,153,060	97.80 %	\$560,857,110	97.63 %
Public Utility Personal	12,434,140	2.20	13,617,100	2.37
Total	\$565,587,200	100.00 %	\$574,474,210	100.00 %
Tax rate per \$1,000 of assessed valuation	\$59.90		\$59.90	

Canfield Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Receivables

Receivables at June 30, 2017, consisted of taxes, accounts (rent, student fees and tuition) and accrued interest. 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. All receivables are expected to be collected within one year.

At June 30, 2017, the School District did not record any intergovernmental receivables.

Note 8 – Fund Balances

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

Fund Balances	General	Nonmajor Governmental	Total
<i>Nonspendable:</i>			
Inventory	\$86,862	\$1,430	\$88,292
Permanent Fund Principal	0	70,391	70,391
<i>Total Nonspendable</i>	<u>86,862</u>	<u>71,821</u>	<u>158,683</u>
<i>Restricted for:</i>			
Food Service Operations	0	264,292	264,292
Athletics & Music	0	90,821	90,821
Student Achievement	0	8,732	8,732
Debt Service Payments	0	645,697	645,697
Capital Improvements	0	576,113	576,113
<i>Total Restricted</i>	<u>0</u>	<u>1,585,655</u>	<u>1,585,655</u>
<i>Committed to:</i>			
College Scholarships	0	13,531	13,531
Community Television	4,861	0	4,861
Underground Storage	11,000	0	11,000
<i>Total Committed</i>	<u>15,861</u>	<u>13,531</u>	<u>29,392</u>
<i>Assigned to:</i>			
Other Purposes	66,720	0	66,720
Encumbrances	500	0	500
<i>Total Assigned</i>	<u>67,220</u>	<u>0</u>	<u>67,220</u>
<i>Unassigned</i>	<u>12,333,237</u>	<u>0</u>	<u>12,333,237</u>
<i>Total Fund Balances</i>	<u><u>\$12,503,180</u></u>	<u><u>\$1,671,007</u></u>	<u><u>\$14,174,187</u></u>

Canfield Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$441,370	\$0	\$0	\$441,370
 <i>Capital assets being depreciated:</i>				
Land improvements	751,158	0	0	751,158
Buildings and improvements	24,633,668	0	0	24,633,668
Furniture, fixtures and equipment	3,291,064	72,270	0	3,363,334
Vehicles	3,587,478	357,626	(163,007)	3,782,097
Total capital assets being depreciated	32,263,368	429,896	(163,007)	32,530,257
 <i>Accumulated depreciation:</i>				
Land improvements	(713,602)	(37,556)	0	(751,158)
Buildings and improvements	(14,153,404)	(472,857)	0	(14,626,261)
Furniture, fixtures and equipment	(2,833,549)	(78,618)	0	(2,912,167)
Vehicles	(2,291,881)	(239,117)	160,532	(2,370,466)
Total accumulated depreciation	(19,992,436)	(828,148) *	160,532	(20,660,052)
Capital assets being depreciated, net	12,270,932	(398,252)	(2,475)	11,870,205
Governmental activities capital assets, net	\$12,712,302	(\$398,252)	(\$2,475)	\$12,311,575

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$360,013
Special	29,043
Vocational	8,602
Support Services:	
Pupil	18,857
Instructional Staff	762
Administration	11,128
Fiscal	1,307
Business	765
Operation and Maintenance of Plant	59,132
Pupil Transportation	217,887
Central	256
Operation of Non-Instructional Services	784
Operation of Food Services	33,934
Extracurricular	85,678
Total Depreciation Expense	\$828,148

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For the Fiscal Year Ended June 30, 2017

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted for the following insurance coverage:

Type of Coverage	Coverage
Coverage provided by Liberty Mutual Insurance:	
Property/Boiler and Machinery (\$1,000 deductible)	\$86,921,257
Fleet Insurance (\$1,000 deductible - comprehensive) (\$1,000 deductible - collision)	1,000,000
General Liability	
General aggregate	\$2,000,000
Per occurrence	1,000,000
Excess Liability Coverage	
in aggregate	\$5,000,000
Per occurrence	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

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 accident history and administrative costs.

C. Employee Medical Benefits

The School District has contracted with the Mahoning County School Employees Insurance Consortium to provide employee medical, prescription drugs, vision and dental benefits. The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Canfield Local School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays ninety percent of the monthly medical/surgical premiums, including prescription drug for all employees. Premiums for all groups are \$1,923 for family, \$1,175 for employee and children, \$1,444 for employee and spouse and \$691 for single.

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Note 11 – Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

B. School Employees Retirement System

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. 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 on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

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Age and service requirements for retirement are as follows:

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

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

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

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 fiscal year ending June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.0 percent. None of the 14 percent employer contribution was allocated to the Health Care Fund. The District's contractually required contribution to SERS was \$529,911 for the fiscal year ended June 30, 2017. Of this amount \$15,530 was reported as an intergovernmental payable.

C. State Teachers Retirement System

Plan Description - District licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (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.

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The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 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 August 1, 2015 and will continue to increase periodically until reaching age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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 Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was \$1,768,727 for the fiscal year ended June 30, 2017. Of this amount \$310,524 was reported as an intergovernmental payable.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Districts proportion of the net pension liability was based on the Districts share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.11091570%	0.11275100%	
Proportion of the Net Pension Liability Current Measurement Date	0.11327500%	0.11133125%	
Change in Proportionate Share	0.00235930%	-0.00141975%	
Proportionate Share of the Net Pension Liability	\$8,290,685	\$37,265,925	\$45,556,610
Pension Expense	\$855,223	\$2,881,360	\$3,736,583

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$111,822	\$1,505,723	\$1,617,545
Net difference between projected and actual earnings on pension plan investments	683,863	3,094,073	3,777,936
Change of Assumptions	553,448	0	553,448
Change in Proportionate Share	87,180	704,020	791,200
District contributions subsequent to the measurement date	529,911	1,768,727	2,298,638
Total Deferred Outflows of Resources	\$1,966,224	\$7,072,543	\$9,038,767
Deferred Inflows of Resources	\$56,883	\$322,167	\$379,050

\$2,298,638 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	(\$342,948)	(\$882,418)	(\$1,225,366)
2019	(342,457)	(882,418)	(1,224,875)
2020	(497,443)	(2,069,698)	(2,567,141)
2021	(196,582)	(1,147,115)	(1,343,697)
Total	<u>(\$1,379,430)</u>	<u>(\$4,981,649)</u>	<u>(\$6,361,079)</u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
COLA or Ad hoc COLA	3 Percent
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$10,976,350	\$8,290,685	\$6,042,671

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Projected Salary Increases	2.75 Percent at Age 70 to 12.25 Percent at Age 20
Investment Rate of Return	7.75 Percent, Net of Investment Expenses, Including Inflation
Cost of Living Adjustments (COLA)	2% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA 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, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	*Long-Term Expected Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Fixed Income	18.00	3.75
Alternatives	14.00	8.00
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. 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, 2016.

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's Net Pension Liability is expected to be significant.

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 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	\$49,523,390	\$37,265,925	\$26,926,034

Note 12 - Postemployment Benefits

A - School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certified 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.

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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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, 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 2017, none of the employer contribution 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 2017, this amount was \$23,500. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$537, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law 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 Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. None of the School District's contributions were allocated to fund health care for the fiscal years ended June 30, 2017, 2016 or 2015.

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Notes to the Basic Financial Statements
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Note 13 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17	Amounts due in One Year
Governmental-Type Activities					
2014 Bus Acquisition Note 2.10%	\$145,799	\$0	(\$145,799)	\$0	\$0
2017 Bus Acquisition Note 2.173%	0	357,626	0	357,626	119,209
Compensated Absences	2,958,817	326,680	(109,629)	3,175,868	109,170
<i>Total Before Net Pension Liability</i>	<u>3,104,616</u>	<u>684,306</u>	<u>(255,428)</u>	<u>3,533,494</u>	<u>228,379</u>
Net Pension Liability:					
STRS	31,161,078	7,744,833	(1,639,986)	37,265,925	0
SERS	6,328,957	2,438,757	(477,029)	8,290,685	0
<i>Total Net Pension Liability</i>	<u>37,490,035</u>	<u>10,183,590</u>	<u>(2,117,015)</u>	<u>45,556,610</u>	<u>0</u>
<i>Total Long-Term Obligations</i>	<u>\$40,594,651</u>	<u>\$10,867,896</u>	<u>(\$2,372,443)</u>	<u>\$49,090,104</u>	<u>\$228,379</u>

The \$437,395, 2015 Bus Acquisition Note issued at 2.10 percent, was issued to finance the cost of purchasing five new busses for the District. The Note matured April 15, 2017 and was backed by the full faith of Canfield Local School District.

The \$357,626, 2017 Bus Acquisition Note issued at 2.173 percent, was issued to finance the cost of purchasing four new busses for the District. The Note matures January 18, 2020 and is backed by the full faith of Canfield Local School District.

The bus acquisition notes were paid from the bond retirement debt service fund. Compensated absences will be paid from the general fund and the food service special revenue fund.

The District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$52,348,376 with an unvoted debt margin of \$574,474 at June 30, 2017.

Note 14 - Other Employee Benefits

A. Compensated Absences

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

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Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 260 days for all employees. Upon retirement, classified employees, bus drivers and teachers receive payments for fifty percent of the total sick leave accumulation up to a maximum of 60 days. Administrators receive payment for fifty percent of the total sick leave accumulation up to 75 days.

B. Life Insurance

The School District provides life insurance to all regular employees. Coverage is equal to the annual salary for administrators, the annual salary for certified employees with a minimum of \$34,000 and a maximum of \$50,000, \$40,000 for non-union classified employees, and \$25,000 for classified employees. Life insurance coverage is provided through Dearborn National.

Note 15 - Set-Asides

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

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

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-Aside Requirement	475,259
Qualifying Disbursements	<u>(1,269,699)</u>
Total	<u><u>(\$794,440)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

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

Note 16 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid \$96,834 to ACCESS during fiscal year 2017. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 222, Youngstown, Ohio, 44512.

B. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2017, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

Note 17 - Public Entity Risk Pool

Mahoning County School Employees Insurance Consortium - The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. To obtain the financial information write to Mahoning County School Employees Insurance Consortium, P.O. Box 549, New Middletown, Ohio 44442.

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 - Contingencies

A. Grants

The 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 District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2017, traditional school district must comply with minimum hours of instruction, instead of a minimum number of school days each year. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the School District, which can extend past the fiscal year-end. This amount has not been included in the financial statements as it is not material to the financial statements.

Note 19 – Interfund Activity

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

	Transfers In	Transfers Out
Major Governmental Fund:		
General	\$213,781	\$213,781
Non-major Governmental Fund:		
Permanent Improvement	213,781	0
Non-major Proprietary Fund:		
Internal Service Fund	0	213,781
Total	\$427,562	\$427,562

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

The District transferred the remaining balance of the internal service fund into the general fund and subsequently transferred that balance to the permanent improvement fund to close out the internal service fund, which is no longer required.

Canfield Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 20 – Subsequent Event

On November 7, 2017 the District renewed a five year, 5.9 mill current operating expense levy. The levy is expected to continue generating approximately \$3.4 million annually for the District.

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Canfield Local School District
Mahoning County, Ohio

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.11327500%	0.11091570%	0.11309500%	0.11309500%
School District's Proportionate Share of the Net Pension Liability	\$8,290,685	\$6,328,957	\$5,723,674	\$6,725,397
School District's Covered-Employee Payroll	\$3,407,350	\$3,166,973	\$3,187,801	\$3,213,890
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	243.32%	199.84%	179.55%	209.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Canfield Local School District
Mahoning County, Ohio

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.111331250%	0.112751000%	0.108565920%	0.108565920%
School District's Proportionate Share of the Net Pension Liability	\$37,265,925	\$31,161,078	\$26,406,989	\$31,455,833
School District's Covered-Employee Payroll	\$11,714,186	\$11,763,979	\$11,325,923	\$11,916,166
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	318.13%	264.89%	233.16%	263.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

Canfield Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$529,911	\$477,029	\$417,407	\$441,829
Contributions in Relation to the Contractually Required Contribution	(\$529,911)	(\$477,029)	(\$417,407)	(\$441,829)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,785,079	\$3,407,350	\$3,166,973	\$3,187,801
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$444,803	\$427,891	\$465,917	\$490,385	\$334,598	\$306,369
(\$444,803)	(\$427,891)	(\$465,917)	(\$490,385)	(\$334,598)	(\$306,369)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,213,890	\$3,181,350	\$3,706,579	\$3,621,751	\$3,400,389	\$3,119,847
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Canfield Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,768,727	\$1,639,986	\$1,646,915	\$1,472,370
Contributions in Relation to the Contractually Required Contribution	(\$1,768,727)	(\$1,639,986)	(\$1,646,915)	(\$1,472,370)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$12,633,764	\$11,714,186	\$11,763,979	\$11,325,923
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$1,549,102	\$1,617,744	\$1,687,246	\$1,656,143	\$1,623,215	\$1,540,560
(\$1,549,102)	(\$1,617,744)	(\$1,687,246)	(\$1,656,143)	(\$1,623,215)	(\$1,540,560)
\$0	\$0	\$0	\$0	\$0	\$0
\$11,916,166	\$12,444,188	\$12,978,815	\$12,739,562	\$12,486,269	\$11,850,462
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Canfield Local School District
Mahoning County, Ohio

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Nutrition Cluster:</i>				
National School Lunch Program	100866-3L60	10.555	\$180,578	\$83,109
<i>Total Nutrition Cluster</i>			<u>180,578</u>	<u>83,109</u>
Meal Partners - Healthy Cuisine	100866-3670	10.560	1,174	
Total U.S. Department of Agriculture			<u>181,752</u>	<u>83,109</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I Part A Cluster</i>				
Title I Grants to Local Educational Agencies	100866-3M00	84.010	255,422	
<i>Total Title I Grants to Local Educational Agencies</i>			<u>255,422</u>	
<i>Special Education Cluster (IDEA)</i>				
Special Education Grants to States	100866-3M20	84.027	502,488	
Special Education Grants (IDEA Preschool)	MCECSC	84.173	7,995	
<i>Total Special Education Grants to States</i>			<u>510,483</u>	
<i>English Language Acquisition Grants</i>				
English Language Acquisition Grants	MCECSC	84.365	1,805	
<i>Total English Language Acquisition Grants</i>			<u>1,805</u>	
<i>Improving Teacher Quality State Grants</i>				
Improving Teacher Quality State Grants	100866-3Y60	84.367	36,585	
<i>Total Improving Teacher Quality State Grants</i>			<u>36,585</u>	
Total U.S. Department of Education			<u>804,295</u>	
Totals			<u>\$986,047</u>	<u>\$83,109</u>

The accompanying notes to this schedule are an integral part of this schedule.

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Canfield Local School District, (the District) under programs of the federal government for the year ended June 30, 2017. 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 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 fair value. The District allocated donated food commodities to the respective program 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*

Canfield Local School District
Mahoning County
100 Wadsworth Street
Canfield, Ohio 44406

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canfield Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2017, 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 21, 2018.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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*.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 21, 2018



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

Canfield Local School District
Mahoning County
100 Wadsworth Street
Canfield, Ohio 44406

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Canfield Local 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 Canfield Local School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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 Canfield Local 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, 2017.

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 21, 2018

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

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)?	No
<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 Ed. Cluster -CFDA #84.027 Special Education Grants to States (IDEA Part B)/CFDA #84.173 Special Education Preschool Grants
<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?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

CANFIELD LOCAL SCHOOL DISTRICT

MAHONING 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
MARCH 29, 2018**