

**Springboro Community City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

The discussion and analysis of Springboro Community City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased \$4,994,631 which represents a 8% increase from 2014.
- General revenues accounted for \$56,313,940 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,580,679 or 12% of total revenues of \$63,984,619.
- The District had \$58,899,988 in expenses related to governmental activities; \$7,580,679 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$56,313,940 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

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

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

The District as a Whole

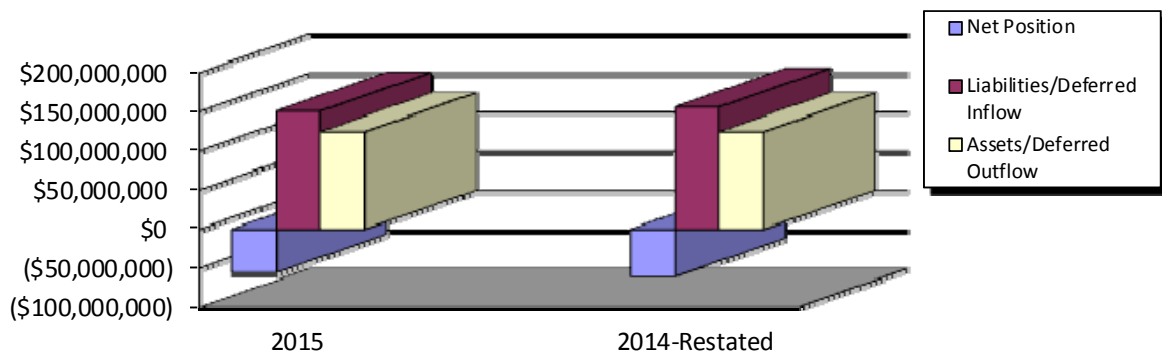
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

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**Table 1
Net Position**

	Governmental Activities	
	2015	2014-Restated
Assets:		
Current and Other Assets	\$47,528,423	\$46,751,512
Capital Assets	77,179,915	77,871,809
Total Assets	124,708,338	124,623,321
Deferred Outflows of Resources:		
Deferred Charge on Refunding Pension	830,074	0
	4,310,480	1,845,930
Total Deferred Outflows of Resources	5,140,554	1,845,930
Liabilities:		
Other Liabilities	7,673,525	6,230,528
Long-Term Liabilities	143,328,724	149,982,299
Total Liabilities	151,002,249	156,212,827
Deferred Inflows of Resources:		
Property Taxes	24,097,630	30,817,381
Revenue in Lieu of Taxes	46,809	0
Pension	10,268,530	0
Total Deferred Inflows of Resources	34,412,969	30,817,381
Net Position:		
Net Investment in Capital Assets Restricted	(6,190,426)	(3,150,773)
Unrestricted	(56,000,599)	(60,934,011)
Total Net Position	(\$55,566,326)	(\$60,560,957)



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During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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 position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach 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 new standards required by GASB 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 government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the 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 local government. 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

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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 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 not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$3,234,855 to \$(60,560,957).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$(55,566,326).

At year-end, capital assets represented 62% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment. Net investment in capital assets at June 30, 2015, was \$(6,190,426). These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$6,624,699 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets remained relatively constant with prior year. Long-term liabilities decreased due to the decrease in the Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

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**Table 2
Changes in Net Position**

	Governmental Activities	
	2015	2014-Restated
Revenues:		
Program Revenues		
Charges for Services	\$3,717,754	\$3,917,474
Operating Grants, Contributions	3,862,925	3,148,686
General Revenues:		
Property Taxes	39,703,595	30,100,398
Grants and Entitlements	15,807,000	15,133,843
Investment Earnings	50,905	66,041
Other	752,440	690,652
Total Revenues	<u>63,894,619</u>	<u>53,057,094</u>
Program Expenses:		
Instruction	32,412,082	30,047,728
Support Services:		
Pupil and Instructional Staff	5,542,572	4,513,977
School Administrative, General		
Administration, Fiscal and Business	4,107,001	3,810,832
Operations and Maintenance	5,580,752	5,329,622
Pupil Transportation	3,458,170	3,154,426
Central	296,969	433,417
Operation of Non-Instructional Services	1,379,948	1,213,613
Extracurricular Activities	2,196,559	2,013,899
Interest and Fiscal Charges	3,559,133	3,859,292
Bond Issuance Cost	366,802	0
Total Program Expenses	<u>58,899,988</u>	<u>54,376,806</u>
Change in Net Position	4,994,631	(1,319,712)
Net Position - Beginning of Year, Restated	<u>(60,560,957)</u>	<u>N/A</u>
Net Position - End of Year	<u>(\$55,566,326)</u>	<u>(\$60,560,957)</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of \$1,845,930 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of \$2,760,665. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

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Total 2015 program expenses under GASB 68	\$58,899,988
Program expenses under GASB 68	(2,760,665)
2015 contractually required contributions	<u>3,775,429</u>
Adjusted 2015 program expenses	59,914,752
Total 2014 program expenses under GASB 27	<u>54,376,806</u>
Decrease in program expenses not related to pension	<u><u>\$5,537,946</u></u>

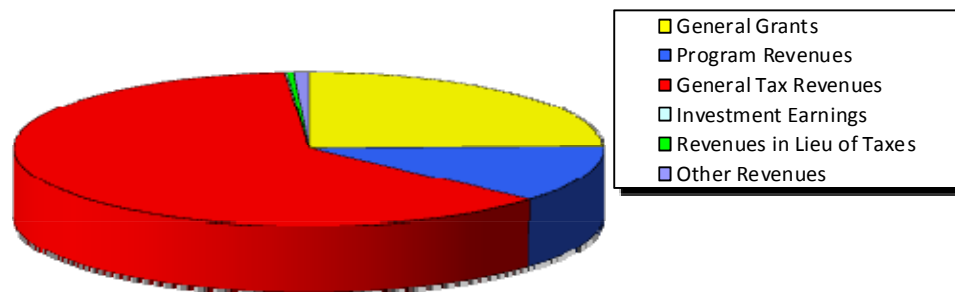
The District revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes and grants and entitlements comprised 87% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 62% of revenue for governmental activities for the District in fiscal year 2015.

**Governmental Activities
Revenue Sources**

	<u>2015</u>	<u>Percentage</u>
General Grants	\$15,807,000	24.70%
Program Revenues	7,580,679	11.90%
General Tax Revenues	39,703,595	62.10%
Investment Earnings	50,905	0.12%
Revenues in Lieu of Taxes	234,351	0.37%
Other Revenues	<u>518,089</u>	<u>0.81%</u>
Total Revenue Sources	<u><u>\$63,894,619</u></u>	<u><u>100.00%</u></u>



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Instruction comprises 55% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other expenses including interest expense were 13%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenues increased from the prior year due to an increase in operation grants and contributions (Federal grant monies received). General revenues increased due to an increase in property taxes levied for general purposes.

Governmental Activities

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$32,412,082	\$30,047,728	(\$28,968,360)	(\$27,025,214)
Support Services:				
Pupil and Instructional Staff	5,542,572	4,513,977	(5,307,242)	(4,154,642)
School Administrative, General				
Administration, Fiscal and Business	4,107,001	3,810,832	(3,914,847)	(3,616,063)
Operations and Maintenance	5,580,752	5,329,622	(4,732,559)	(5,141,757)
Pupil Transportation	3,458,170	3,154,426	(3,342,550)	(3,024,773)
Central	296,969	433,417	(296,969)	(414,661)
Operation of Non-Instructional Services	1,379,948	1,213,613	254,892	271,036
Extracurricular Activities	2,196,559	2,013,899	(1,085,739)	(378,081)
Interest and Fiscal Charges	3,559,133	3,859,292	(3,559,133)	(3,826,491)
Bond Issuance Cost	366,802	0	(366,802)	0
Total Expenses	<u>\$58,899,988</u>	<u>\$54,376,806</u>	<u>(\$51,319,309)</u>	<u>(\$47,310,646)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Bond Retirement Fund. Assets of the General Fund comprised \$35,449,876 (75%), the Bond Retirement Fund comprised \$9,159,567 (19%) of the total \$47,534,510 governmental funds' assets.

General Fund: Fund balance at June 30, 2015 was \$8,140,342 including \$6,216,821 of unassigned balance. The District had an increase in fund balance of \$1,945,857. One of the causes for the increase in fund balance was an increase in property tax revenue.

Bond Retirement Fund: Fund balance at June 30, 2015 was \$4,938,237 with an increase in fund balance of \$2,851,198. The increase in fund balance is due to an increase in cash and investments in 2015.

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General Fund Budgeting Highlights

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

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

For the General Fund, final budget basis revenue was \$45,403,506, compared to original budget estimates of \$44,032,077, while the actual revenue had a difference of (\$112) from the final budget basis revenues due to over estimates for taxes and intergovernmental revenue.

The District's unobligated cash balance for the General Fund was \$8,299,898.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$77,179,915 invested in land, land improvements, buildings and improvements, and equipment and vehicles. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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

	Governmental Activities	
	2015	2014
Land	\$1,421,691	\$1,421,691
Land Improvements	2,858,823	2,665,372
Buildings and Improvements	69,162,726	69,690,856
Equipment	2,644,657	3,092,706
Vehicles	1,092,018	1,001,184
Total Net Capital Assets	<u>\$77,179,915</u>	<u>\$77,871,809</u>

Total Net Capital Assets decreased in 2015 as compared to 2014 because depreciation expense was more than current year additions. See Note 6 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2015, the District had \$84,246,032 in debt outstanding, \$3,630,230 due within one year. Table 5 summarizes total debt outstanding.

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**Table 5
Outstanding Debt at Year End**

	2015	2014
General Obligation Bonds Payable:		
1996 and 1991 Refunding Bonds	\$1,470,000	\$16,420,000
2005 School Improvement Bonds	0	285,000
2007 School Improvement Refunding Bonds	45,315,000	45,315,000
Premium	4,378,473	4,621,721
2013 School Bus Acquisition Bond	640,000	845,000
Premium	12,746	16,995
2015 Refunding Bonds		
Current Interest	13,255,000	0
Capital Appreciation	294,054	0
Accreted Interest	45,617	0
Premium	1,044,199	0
2002 OASBO Pool HB264 Loan	243,000	365,000
2015 HB264 COP Bonds	4,935,000	0
Premium	110,021	0
Capital Leases		
2002 OASBO Pool Lease	5,408,000	5,569,000
2004 OASBO Pool Lease Athletic Fields	1,579,000	1,696,000
2004 OASB Pool Lease Chillers	357,000	407,000
2004 OASBO Pool Lease Buses	781,000	805,000
2002 OASBO Pool Lease Buses	815,000	844,000
2004 OASBO Pool Lease MVH	3,055,000	3,149,000
2013 Computer Lease	87,401	175,205
2008 Bus Lease	56,614	0
2007 Bus Lease	363,907	474,191
2010 Copier Lease	0	34,470
Total Outstanding Debt at Year End	<u>\$84,246,032</u>	<u>\$81,022,582</u>

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

Contacting the District's Financial Management

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

Springboro Community City School District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$14,399,133
Restricted Cash and Investments	120,167
Equity in Pooled Cash and Investments with Fiscal Agent	328,446
Receivables (Net):	
Taxes	32,235,552
Interest	15,208
Intergovernmental	386,110
Inventory	43,807
Nondepreciable Capital Assets	1,421,691
Depreciable Capital Assets, Net	<u>75,758,224</u>
 Total Assets	 <u>124,708,338</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding Pension	830,074
	<u>4,310,480</u>
 Total Deferred Outflows of Resources	 <u>5,140,554</u>
Liabilities:	
Accounts Payable	392,010
Accrued Wages and Benefits	6,145,523
Contracts Payable	704,309
Retainage Payable	120,167
Accrued Interest Payable	311,516
Long-Term Liabilities:	
Due Within One Year	4,506,366
Due In More Than One Year	
Net Pension Liability	56,822,998
Other Amounts	<u>81,999,360</u>
 Total Liabilities	 <u>151,002,249</u>
Deferred Inflows of Resources:	
Property Taxes	24,097,630
Revenue in Lieu of Taxes	46,809
Pension	<u>10,268,530</u>
 Total Deferred Inflows of Resources	 <u>34,412,969</u>
Net Position:	
Net Investment in Capital Assets	(6,190,426)
Restricted for:	
District Managed Student Activity	321,463
Federal Grants	210,583
Food Service	748,347
Capital Projects	543,432
Debt Service	4,796,401
Other Purposes	4,473
Unrestricted	<u>(56,000,599)</u>
 Total Net Position	 <u><u>(\$55,566,326)</u></u>

See accompanying notes to the basic financial statements.

Springboro Community City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$24,496,739	\$622,547	\$744,523	(\$23,129,669)
Special	6,910,274	53,547	2,019,550	(4,837,177)
Vocational	0	0	3,555	3,555
Other	1,005,069	0	0	(1,005,069)
Support Services:				
Pupil	2,961,128	0	116,162	(2,844,966)
Instructional Staff	2,581,444	0	119,168	(2,462,276)
General Administration	224,466	0	0	(224,466)
School Administration	2,707,327	0	192,154	(2,515,173)
Fiscal	991,807	0	0	(991,807)
Business	183,401	0	0	(183,401)
Operations and Maintenance	5,580,752	848,193	0	(4,732,559)
Pupil Transportation	3,458,170	0	115,620	(3,342,550)
Central	296,969	0	0	(296,969)
Operation of Non-Instructional Services	1,379,948	1,082,647	552,193	254,892
Extracurricular Activities	2,196,559	1,110,820	0	(1,085,739)
Interest and Fiscal Charges	3,559,133	0	0	(3,559,133)
Bond Issuance Cost	366,802	0	0	(366,802)
Total Governmental Activities	58,899,988	3,717,754	3,862,925	(51,319,309)
General Revenues:				
Property Taxes Levied for:				
				32,897,417
				6,753,104
				53,074
				15,807,000
				234,351
				58,909
				50,905
				459,180
Total General Revenues				56,313,940
Change in Net Position				4,994,631
Net Position - Beginning of Year, Restated				(60,560,957)
Net Position - End of Year				(\$55,566,326)

See accompanying notes to the basic financial statements.

Springboro Community City School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$8,584,644	\$3,570,921	\$2,243,568	\$14,399,133
Restricted Cash and Investments	0	0	120,167	120,167
Equity in Pooled Cash and Investments with Fiscal Agent Receivables (Net):	0	0	328,446	328,446
Taxes	26,646,906	5,588,646	0	32,235,552
Interest	15,208	0	0	15,208
Intergovernmental	197,031	0	189,079	386,110
Interfund	6,087	0	0	6,087
Inventory	0	0	43,807	43,807
Total Assets	35,449,876	9,159,567	2,925,067	47,534,510
Liabilities:				
Accounts Payable	362,764	0	29,246	392,010
Accrued Wages and Benefits	5,939,603	0	205,920	6,145,523
Compensated Absences	661,790	0	0	661,790
Contracts Payable	0	0	704,309	704,309
Retainage Payable	0	0	120,167	120,167
Interfund Payable	0	0	6,087	6,087
Total Liabilities	6,964,157	0	1,065,729	8,029,886
Deferred Inflows of Resources:				
Property Taxes	20,296,852	4,221,330	0	24,518,182
Grants and Other Taxes	46,809	0	120,575	167,384
Investment Earnings	1,716	0	0	1,716
Total Deferred Inflows of Resources	20,345,377	4,221,330	120,575	24,687,282
Fund Balances:				
Restricted	0	4,938,237	1,742,932	6,681,169
Assigned	1,923,521	0	0	1,923,521
Unassigned	6,216,821	0	(4,169)	6,212,652
Total Fund Balances	8,140,342	4,938,237	1,738,763	14,817,342
Total Liabilities, Deferred Inflows and Fund Balances	\$35,449,876	\$9,159,567	\$2,925,067	\$47,534,510

See accompanying notes to the basic financial statements.

Springboro Community City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balance		\$14,817,342
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		77,179,915
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	\$420,552	
Interest	1,716	
Intergovernmental	<u>120,575</u>	
		542,843
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(311,516)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(1,597,904)
Deferred charge on refunding associated with long-term liabilities that are not reported in the funds.		
		830,074
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$4,310,480	
Deferred inflows of resources related to pensions	<u>(10,268,530)</u>	
		(5,958,050)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(\$56,822,998)	
Other Amounts	<u>(84,246,032)</u>	
		<u>(141,069,030)</u>
Net Position of Governmental Activities		<u><u>(\$55,566,326)</u></u>

See accompanying notes to the basic financial statements.

Springboro Community City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$32,658,272	\$6,753,104	\$0	\$39,411,376
Tuition and Fees	676,277	0	0	676,277
Investment Earnings	49,189	0	0	49,189
Intergovernmental	17,180,707	746,911	1,418,570	19,346,188
Extracurricular Activities	116,818	0	994,315	1,111,133
Charges for Services	1,051,634	0	1,082,334	2,133,968
Revenue in Lieu of Taxes	234,351	0	0	234,351
Other Revenues	286,982	97	231,011	518,090
Total Revenues	52,254,230	7,500,112	3,726,230	63,480,572
Expenditures:				
Current:				
Instruction:				
Regular	21,919,900	0	14,475	21,934,375
Special	6,563,235	0	603,652	7,166,887
Other	1,005,069	0	0	1,005,069
Support Services:				
Pupil	2,862,111	0	109,825	2,971,936
Instructional Staff	2,411,880	0	112,396	2,524,276
General Administration	223,891	0	0	223,891
School Administration	2,640,385	0	212,011	2,852,396
Fiscal	970,638	62,108	0	1,032,746
Business	186,190	0	0	186,190
Operations and Maintenance	4,370,692	0	50,549	4,421,241
Pupil Transportation	3,456,568	0	7,791	3,464,359
Central	302,034	0	0	302,034
Operation of Non-Instructional Services	9,095	0	1,351,809	1,360,904
Extracurricular Activities	469,452	0	1,605,485	2,074,937
Capital Outlay	797,501	0	4,715,514	5,513,015
Debt Service:				
Principal Retirement	1,047,184	1,685,000	0	2,732,184
Interest and Fiscal Charges	782,808	2,901,806	29,273	3,713,887
Bond Issuance Cost	0	225,775	141,027	366,802
Total Expenditures	50,018,633	4,874,689	8,953,807	63,847,129
Excess of Revenues Over (Under) Expenditures	2,235,597	2,625,423	(5,227,577)	(366,557)
Other Financing Sources (Uses):				
Issuance of Capital Lease	69,240	0	0	69,240
Proceeds from Sale of Capital Assets	17,262	0	0	17,262
Issuance of Long-Term Capital-Related Debt	0	0	4,935,000	4,935,000
Issuance of Refunded Bonds	0	13,549,054	0	13,549,054
Payments to Bond Escrow Account	0	(14,428,901)	0	(14,428,901)
Premium on Bonds Sold	0	1,105,622	112,845	1,218,467
Transfers In	0	0	376,242	376,242
Transfers (Out)	(376,242)	0	0	(376,242)
Total Other Financing Sources (Uses)	(289,740)	225,775	5,424,087	5,360,122
Net Change in Fund Balance	1,945,857	2,851,198	196,510	4,993,565
Fund Balance - Beginning of Year	6,194,485	2,087,039	1,542,253	9,823,777
Fund Balance - End of Year	\$8,140,342	\$4,938,237	\$1,738,763	\$14,817,342

See accompanying notes to the basic financial statements.

Springboro Community City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds		\$4,993,565
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	\$5,273,986	
Depreciation Expense	<u>(3,724,911)</u>	
		1,549,075
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		
		(2,240,969)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions	\$3,775,429	
Cost of benefits earned net of employee contributions	<u>(2,760,665)</u>	
		1,014,764
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	\$292,219	
Interest	1,716	
Intergovernmental	<u>120,112</u>	
		414,047
In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.		
Deferred Amount on Refunding	\$878,901	
Premium on Bonds Issued	(1,218,467)	
Refunding Bonds	(13,549,054)	
Bonds Refunded	<u>13,550,000</u>	
		(338,620)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		2,732,184
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		(62,546)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	\$1,720,071	
Amortization of Bond Premium	311,744	
Amortization of Deferred Charge on Refunding	(48,827)	
Bond Accretion	<u>(45,617)</u>	
		1,937,371
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		
		<u>(5,004,240)</u>
Change in Net Position of Governmental Activities		<u>\$4,994,631</u>
See accompanying notes to the basic financial statements.		

Springboro Community City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$26,208,259	\$27,024,612	\$27,024,545	(\$67)
Revenue in lieu of taxes	227,272	234,352	234,351	(1)
Tuition and Fees	572,952	590,798	590,797	(1)
Investment Earnings	36,764	37,909	37,909	0
Intergovernmental	16,730,392	17,251,522	17,251,479	(43)
Charges for Services	135,258	139,471	139,471	0
Other Revenues	121,180	124,954	124,954	0
Total Revenues	44,032,077	45,403,618	45,403,506	(112)
Expenditures:				
Current:				
Instruction:				
Regular	21,717,215	21,305,624	21,189,978	115,646
Special	6,542,314	6,418,322	6,383,484	34,838
Other	1,082,577	1,062,060	1,056,295	5,765
Support Services:				
Pupil	2,926,725	2,871,257	2,855,672	15,585
Instructional Staff	2,362,114	2,317,346	2,304,768	12,578
General Administration	229,719	225,365	224,142	1,223
School Administration	2,425,067	2,379,107	2,366,193	12,914
Fiscal	998,003	979,088	973,774	5,314
Business	199,497	195,716	194,654	1,062
Operations and Maintenance	4,627,590	4,539,886	4,515,244	24,642
Pupil Transportation	3,378,424	3,314,395	3,296,405	17,990
Central	320,370	314,298	312,592	1,706
Operation of Non-Instructional Services	9,368	9,191	9,141	50
Extracurricular Activities	135,269	132,705	131,985	720
Capital Outlay	815,311	799,859	795,517	4,342
Debt Service:				
Principal Retirement	691,984	678,869	675,184	3,685
Interest and Fiscal Charges	248,495	243,785	242,462	1,323
Total Expenditures	48,710,042	47,786,873	47,527,490	259,383
Excess of Revenues Over (Under) Expenditures	(4,677,965)	(2,383,255)	(2,123,984)	259,271
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	16,741	17,262	17,262	0
Transfers (Out)	(385,603)	(378,295)	(376,242)	2,053
Total Other Financing Sources (Uses)	(368,862)	(361,033)	(358,980)	2,053
Net Change in Fund Balance	(5,046,827)	(2,744,288)	(2,482,964)	261,324
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	10,782,862	10,782,862	10,782,862	0
Fund Balance - End of Year	\$5,736,035	\$8,038,574	\$8,299,898	\$261,324

See accompanying notes to the basic financial statements.

Springboro Community City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$72,068	\$147,283
Total Assets	<u>72,068</u>	<u>147,283</u>
Liabilities:		
Accounts Payable	0	451
Other Liabilities	<u>0</u>	<u>146,832</u>
Total Liabilities	<u>0</u>	<u>\$147,283</u>
Net Position:		
Held in Trust	<u>72,068</u>	
Total Net Position	<u><u>\$72,068</u></u>	

See accompanying notes to the basic financial statements.

Springboro Community City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Donations	\$530
Investment Earnings	144
Total Additions	<u>674</u>
Deductions:	
Scholarships	<u>3,500</u>
Total Deductions	<u>3,500</u>
Change in Net Position	(2,826)
Net Position - Beginning of Year	<u>74,894</u>
Net Position - End of Year	<u><u>\$72,068</u></u>

See accompanying notes to the basic financial statements.

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

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

Description of the District

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

The School District was established in 1990 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44.7 square miles. It is located in Warren County, and includes the City of Springboro and Clearcreek Township and a small portion of Franklin Township. It is staffed by 237 non-certificated employees, 23 administrative employees, and 353 certificated full-time teaching personnel who provide services to 5,978 students and other community members. The School District currently operates 6 instructional buildings, 1 administrative building, and 1 garage.

Reporting Entity

The reporting entity is comprised of the primary government. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Springboro Community City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes.

The School District has no component units.

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

Southwestern Ohio Computer Association - The School District is a participating member of the

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Southwestern Ohio Computer Association (SWOCA). SWOCA provides data services needed by the participating school districts. D. Russell Lee Vocational School serves as the fiscal agent. This is a jointly governed organization and the School District's participation is discussed in Note 16 to the Basic Financial Statements.

Warren County Career Center - The School District became a member of a cooperative agreement to establish the Warren County Career Center to provide for the vocational and special education needs of the students. The School District is not involved in the budgeting or management of the Warren County Career Center. A board member appointed by the School District's school board members serves as a member of the Warren County Career Center Board of Education. This is a jointly governed organization and the School District's participation is discussed in Note 16 to the Basic Financial Statements.

Southwestern Ohio Educational Purchasing Council - The School District is a participating member of the Southwestern Ohio Educational Purchasing Council (the "Council"). The Council's purpose is to obtain prices for quality merchandise and services commonly used by schools. The Montgomery County Educational Service Center acts as the fiscal agent. This is a jointly governed organization and the School District's participation is discussed in Note 16 to the Basic Financial Statements.

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

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

The following fund types are used by the District:

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

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

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

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

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

Measurement Focus

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Basis of Accounting

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

Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District did not recorded a deferred outflow of resources as of June 30, 2015. The School District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes, pension, and grants which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

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

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

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five 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 - 40 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 15 years
Books	5 years

Compensated Absences

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

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

which the employees who will receive the payment is paid.

Net Position

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

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

The government-wide statement of net position reports \$6,624,699 in restricted net position, none of which is restricted by enabling legislation.

Interfund Transactions

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

Fund Balance

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

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

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

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

specifically committed for use in satisfying those contractual requirements.

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

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

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

Estimates

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

Pensions

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding

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For the Fiscal Year Ended June 30, 2015

of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by state statute to be set aside for budget stabilization. See Note 14 for additional information regarding set-asides and the budget stabilization reserve.

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

Interfund Balances

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

Note 2 - Cash, Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet and the statement of net position.

During fiscal year 2015, investments were limited to STAROhio, U.S. Government Agency notes, and money market accounts.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2015. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$49,189.

For purposes of presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 3 - Budgetary Basis Of Accounting

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

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

Net Change in Fund Balance

	General
GAAP Basis	\$1,945,857
Revenue Accruals	(6,850,724)
Expenditure Accruals	2,558,650
Issuance of Debt	(69,240)
Encumbrances	(68,534)
Funds Budgeted Elsewhere	1,027
Budget Basis	(\$2,482,964)

Note 4 – Deposits and Investments

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

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

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

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or securities issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in Section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which both the obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives

Springboro Community City School District
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are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

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

As of June 30, 2015, \$6,446,908 of the School District’s bank balance of \$6,778,125 was not covered by FDIC or collateralized by the financial institution’s public entity deposit pools in the manner described above.

As of June 30, 2015, the School District had the following investments and maturities:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	\$33,071	0.15
Money Market Funds	3,588,998	0.00
Negotiable CD's	4,603,830	1.91
Federal Home Loan Mortgage Association	304,027	1.41
Federal National Mortgage Association	148,728	2.84
Commercial Paper	318,029	0.00
Total Fair Value	<u>\$8,996,683</u>	
Portfolio Weighted Average Maturity		1.07

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy limits investments to those authorized by State statute. Investments in STAR Ohio were rated AAAM by Standard & Poor’s. Federal Home Loan Mortgage

Springboro Community City School District
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For the Fiscal Year Ended June 30, 2015

Association and Federal National Mortgage Association were rated AAAM by Standard & Poor's and Aaa by Moody's. U.S. Government Securities. Money Market Funds, Commercial Paper and Negotiable CD's were not rated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District places no limit on the amount it may invest in any one issuer. The School District has invested 0.3% in STAR Ohio, 39.9% in Money Market Funds, 3.4% in Federal Home Loan Mortgage Association, 1.7% in Federal National Mortgage Association and 3.5% in Commercial Paper, 51.2% in Negotiable CD's.

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

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

Note 5 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 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.

Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The assessed values upon which the fiscal year 2015 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$859,121,070
Public Utility Personal	<u>73,093,980</u>
Total Assessed Value	<u><u>\$932,215,050</u></u>

The School District receives property taxes from Warren and Montgomery Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2015, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2015, was \$7,717,370 and is recognized as revenue: \$6,350,054 in the General Fund and \$1,367,316 in the Bond Retirement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis they are recorded as a deferred inflow of resources.

Note 6 – Receivables

Receivables at June 30, 2015, consisted of property taxes, interfund, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

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Springboro Community City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,421,691	\$0	\$0	\$1,421,691
Capital Assets, being depreciated:				
Land Improvements	6,462,145	514,549	0	6,976,694
Buildings and Improvements	102,174,368	4,136,038	2,240,969	104,069,437
Furniture and Equipment	17,291,178	426,404	667	17,716,915
Vehicles	5,196,202	196,995	0	5,393,197
Totals at Historical Cost	<u>132,545,584</u>	<u>5,273,986</u>	<u>2,241,636</u>	<u>135,577,934</u>
Less Accumulated Depreciation:				
Land Improvements	3,796,773	321,098	0	4,117,871
Buildings and Improvements	32,483,512	2,423,199	0	34,906,711
Furniture and Equipment	14,198,472	874,453	667	15,072,258
Vehicles	4,195,018	106,161	0	4,301,179
Total Accumulated Depreciation	<u>54,673,775</u>	<u>3,724,911</u>	<u>667</u>	<u>58,398,019</u>
Governmental Activities Capital Assets, Net	<u>\$77,871,809</u>	<u>\$1,549,075</u>	<u>\$2,240,969</u>	<u>\$77,179,915</u>

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$2,004,771
Special	12,482
Support Services:	
Pupils	27,402
Instructional Staff	186,002
General Administration	1,522
School Administration	30,301
Fiscal	1,820
Business	1,601
Operations & Maintenance	1,052,227
Pupil Transportation	179,341
Central	883
Operation of Non-Instructional Services	74,730
Extracurricular Activities	151,829
Total Depreciation Expense	<u>\$3,724,911</u>

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2015, the School District contracted with Ohio Casualty Insurance Company for property insurance with a \$158,611,743 aggregate limit and a \$1,000 deductible and inland marine of \$100,000 limit and a \$500 deductible. Professional liability is protected with a per occurrence limit of \$1,000,000 and a \$2,000,000 aggregate limit with a \$10,000 deductible under a commercial umbrella policy.

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

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

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

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

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

Note 9 – Employee Benefits

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Director of Educational Services, and Director of Support Services. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 275 days for certified and 270 for classified employees. Upon retirement and after being employed in the District for ten years, payment is made for twenty-five percent of the employee's accumulated sick leave up to a maximum of sixty-eight and three-fourth days.

Retirement Incentive

In fiscal year 2013, the School District adopted a one-time early severance incentive package (ESP). Participation was available to teachers and administrators who had ten or more years of service with the School District or will be eligible to retire with full or reduced benefits under the State Teachers Retirement System or School Employees Retirement System as of June 30, 2013.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Eligible employees electing to participate in the Plan who will have twenty-nine (29) years and less than thirty (30) years or thirty-four (34) years and less than thirty-five (35) years of service as of June 30, 2013 may retire from the School District effective June 30, 2014 rather than June 30, 2013. Eligible classified employees electing to participate in the plan who have twenty-nine (29) years and less than thirty (30) years of service as of June 30, 2013 may retire from the School District effective June 30, 2014 rather than June 30, 2013.

Employees electing the ESP shall receive \$40,000, plus an amount equal to his/her applicable contractual severance pay. Classified employees electing the ESP shall receive \$100% of his/her 2012-2013 base salary (not to exceed \$20,000) plus an amount equal to his/her contractual severance pay.

Payments are being made as follows:

Group 1 – Employees electing the package who are eligible to retire with full or reduced benefits under the State Teachers Retirement System effective on his or her exit date – Participants will receive the total package benefit over 5 years, divided into 60 equal monthly payments made to the participant’s selected post-employment 403(b) account. Group 1 participants cannot opt to receive cash rather than post-employment 403(b) deposits.

Group 2 – Employees electing the package but are not eligible to retire under the State Teachers Retirement System or the School Employees Retirement System effective on his or her exit date – Participants will have the total package benefit paid to them over eight years, divided into 96 equal monthly payments. Payments will be subject to withholding for all applicable Medicare, federal, state, and local taxes. Benefits will begin on a date between October 15 and October 30 following the employee’s exit date and will be paid on or about the 15th of each month thereafter until all payments are completed.

Note 10 - Defined Benefit Pension Plans

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.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 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’

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,021,992 for fiscal year 2015. Of this amount \$270,649 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,753,437 for fiscal year 2015. Of this amount \$447,236 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$10,745,799	\$46,077,199	\$56,822,998
Proportion of the Net Pension Liability	0.21232800%	0.18943521%	
Pension Expense	631,941	2,128,724	2,760,665

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$91,458	\$443,593	\$535,051
District contributions subsequent to the measurement date	<u>1,021,992</u>	<u>2,753,437</u>	<u>3,775,429</u>
Total Deferred Outflows of Resources	<u>\$1,113,450</u>	<u>\$3,197,030</u>	<u>\$4,310,480</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$1,744,073</u>	<u>\$8,524,457</u>	<u>\$10,268,530</u>

\$3,775,429 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$413,153)	(\$2,020,216)	(\$2,433,369)
2017	(413,154)	(2,020,216)	(2,433,370)
2018	(413,154)	(2,020,216)	(2,433,370)
2019	<u>(413,154)</u>	<u>(2,020,216)</u>	<u>(2,433,370)</u>
Total	<u>(\$1,652,615)</u>	<u>(\$8,080,864)</u>	<u>(\$9,733,479)</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.

Springboro Community City School District, Ohio
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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, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State

Springboro Community City School District, Ohio
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statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$15,331,062	\$10,745,799	\$6,889,197

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, 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
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Springboro Community City School District, Ohio
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. 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, 2014.

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 <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$65,964,531	\$46,077,199	\$29,259,204

Note 11 - Post Employment Benefits

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug

Springboro Community City School District, Ohio
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program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$112,717.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$59,859, \$115,173, and \$113,463, respectively. For fiscal year 2015, 74 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$198,302, and \$196,621 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 12 - Long Term Obligations

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

	Interest Rate	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental Activities:						
Bonds Payable:						
1996 and 1991 Refunding Bonds	3.50-6.00%	\$16,420,000	\$0	\$14,950,000	\$1,470,000	\$1,470,000
2005 School Improvement Bonds	5.21%	285,000	0	285,000	0	0
2007 School Improvement Refunding Bonds	2.00-2.75%	45,315,000	0	0	45,315,000	540,000
Premium		4,621,721	0	243,248	4,378,473	0
2013 School Bus Acquisition Bond	1.50-2.00%	845,000	0	205,000	640,000	210,000
Premium		16,995	0	4,249	12,746	0
2015 Refunding Bonds	.50-3.10%					
Current Interest		0	13,255,000	0	13,255,000	370,000
Capital Appreciation		0	294,054	0	294,054	0
Accreted Interest		0	45,617	0	45,617	0
Premium		0	1,105,622	61,423	1,044,199	0
2002 OASBO Pool HB264 Loan		365,000	0	122,000	243,000	122,000
2015 HB264 COP Bonds	2.00-4.00%	0	4,935,000	0	4,935,000	0
Premium	2.00-4.00%	0	112,845	2,824	110,021	185,000
Subtotal Bonds		<u>67,868,716</u>	<u>19,748,138</u>	<u>15,873,744</u>	<u>71,743,110</u>	<u>2,897,000</u>
Net Pension Liability:						
STRS		54,739,045	0	8,661,846	46,077,199	0
SERS		10,902,697	0	156,898	10,745,799	0
Total Net Pension Liability		<u>65,641,742</u>	<u>0</u>	<u>8,818,744</u>	<u>56,822,998</u>	<u>0</u>
Capital Leases						
2002 OASBO Pool Lease		5,569,000	0	161,000	5,408,000	178,000
2004 OASBO Pool Lease Athletic Fields		1,696,000	0	117,000	1,579,000	127,000
2004 OASB Pool Lease Chillers		407,000	0	50,000	357,000	53,000
2004 OASBO Pool Lease Buses		805,000	0	24,000	781,000	25,000
2002 OASBO Pool Lease Buses		844,000	0	29,000	815,000	30,000
2004 OASBO Pool Lease MVH		3,149,000	0	94,000	3,055,000	104,000
2013 Computer Lease		175,205	0	87,804	87,401	87,401
2008 Bus Lease		0	69,240	12,626	56,614	13,210
2007 Bus Lease		474,191	0	110,284	363,907	115,619
2010 Copier Lease		34,470	0	34,470	0	0
Subtotal Capital Leases		<u>13,153,866</u>	<u>69,240</u>	<u>720,184</u>	<u>12,502,922</u>	<u>733,230</u>
Compensated Absences		2,167,982	354,429	777,242	1,745,169	361,611
Severance Plan		1,149,993	40,409	675,877	514,525	514,525
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM DEBT		<u>\$149,982,299</u>	<u>\$20,212,216</u>	<u>\$26,865,791</u>	<u>\$143,328,724</u>	<u>\$4,506,366</u>

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Springboro Capital Funding Loan - In 2002, Springboro Community City School District borrowed \$1,829,000 from the Ohio School Boards Association School Expanded Asset Pooled Financing Program, for the purpose of HVAC improvements throughout the School District. The loan is for a fifteen year period with final maturity at June 2017. The debt is being retired from the General Fund.

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

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

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

Compensated absences and payments for the Employee Severance Plan will be paid from the fund from which the person is paid, with the General Fund being the most significant. Capital lease obligations are being paid from the General Fund.

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

Principal and interest requirements to retire the School Improvement Bonds, OASBO Loans, and School Bus Acquisition Bonds outstanding at June 30, 2015, are as follows:

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Springboro Community City School District, Ohio
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Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$2,897,000	\$2,837,028	\$5,734,028	\$0	\$0	\$0
2017	3,306,000	2,751,608	6,057,608	0	0	0
2018	3,600,000	2,666,631	6,266,631	0	0	0
2019	3,865,000	2,549,846	6,414,846	0	0	0
2020	2,800,000	2,420,054	5,220,054	294,054	1,300,946	1,595,000
2021-2025	19,885,000	9,516,610	29,401,610	0	0	0
2026-2030	19,405,000	4,733,264	24,138,264	0	0	0
2031-2035	10,100,000	839,478	10,939,478	0	0	0
Total	<u>\$65,858,000</u>	<u>\$28,314,519</u>	<u>\$94,172,519</u>	<u>\$294,054</u>	<u>\$1,300,946</u>	<u>\$1,595,000</u>

Note 13 – Advance Refunding

On December 30, 2014 the District issued \$13,255,000 in Current Interest Bonds with an interest rate between 0.5% and 3.1% and \$294,054 in Capital Appreciation Bonds all of which was used to partially advance refund \$13,550,000 of the outstanding 1996 and 1991 General Obligation Bonds with an interest rate between 3.5% and 6.0%. The net proceeds of \$14,428,901 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the three bond issues. As a result, \$13,550,000 of the 1996 and 1991 General Obligation Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

The District advance refunded 1996 and 1991 General Obligation Bonds to reduce its total debt service payments by \$501,189 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$416,351.

Note 14 – Interfund Activity

Interfund Receivables/Payables

As of June 30, 2015 receivables and payables that resulted from various interfund receivable and interfund payable, and transfers in and transfers out transactions were as follows:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$6,087	\$0	\$0	\$376,242
Other Governmental Funds	0	6,087	376,242	0
Total All Funds	<u>\$6,087</u>	<u>\$6,087</u>	<u>\$376,242</u>	<u>\$376,242</u>

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 – Set-Aside Calculations And Fund Reserves

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

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

	Capital Maintenance Reserve
Set Aside Reserve Balance as of July 1, 2014	\$0
Current Year Set Aside Requirements	974,913
Qualifying Expenditures	<u>(1,701,647)</u>
Total	<u>(\$726,734)</u>
 Set Aside Reserve Cash Balance as of June 30, 2015	 \$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Maintenance Reserve. The carryover amount in the Capital Maintenance Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$54,101,629 at June 30, 2015.

Note 16 – Capitalized Leases – Lessee Disclosure

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

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

Springboro Refunding/Lease-Purchase Agreement – In June 2004 Springboro Community City School District entered into a lease-purchase agreement in the amount of \$988,000 to refinance a capital lease

Springboro Community City School District, Ohio
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For the Fiscal Year Ended June 30, 2015

and part of the school bus purchase loan. The agreement is for 28 years with a final maturity in 2034. The debt is being paid from the General Fund.

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

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

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

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

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

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

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2015:

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Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fiscal Year Ending June 30	Capital Leases
2016	\$1,359,744
2017	1,288,352
2018	1,306,721
2019	1,188,441
2020	1,189,055
2021-2025	5,630,549
2026-2030	4,896,372
2031-2034	1,148,407
Total Minimum Lease Payments	\$18,007,641
Less: Administrative Fees and Interest	(5,504,719)
Present Value of Minimum Lease Payments	<u>\$12,502,922</u>

Note 17 - Jointly Governed Organizations

Southwestern Ohio Computer Association- The School District is a participant in the Southwestern Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Warren, Butler, and Preble Counties and Loveland City Schools. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

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

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Note 18 – Contingencies

Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

Litigation

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

Note 19 – Accountability

As of June 30, 2015 the following funds had deficit fund balances:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Education Management Information System	\$403
Chapter 2	3,766
	<u>\$4,169</u>

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

Note 20 – Fund Balances

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total
Restricted for:				
Food Service Operation	\$0	\$0	\$601	\$601
Title VI-R	0	0	12,037	12,037
Title VI-B	0	0	77,370	77,370
SC Drug Free	0	0	2,906	2,906
District Managed Student Acitivity	0	0	337,152	337,152
Axullary Services	0	0	1,557	1,557
High School That Works	0	0	10	10
Food Service	0	0	767,867	767,867
Capital Improvements	0	0	543,432	543,432
Debt Services Payments	0	4,938,237	0	4,938,237
Total Restricted	0	4,938,237	1,742,932	6,681,169
Assigned to:				
Encumbrances	29,190	0	0	29,190
Budgetary Resource	1,690,836	0	0	1,690,836
Public Schools	203,495	0	0	203,495
Total Assigned	1,923,521	0	0	1,923,521
Unassigned (Deficit)	6,216,821	0	(4,169)	6,212,652
Total Fund Balance	\$8,140,342	\$4,938,237	\$1,738,763	\$14,817,342

Note 21 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$3,234,855
Adjustments:	
Net Pension Liability	(65,641,742)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>1,845,930</u>
Restated Net Position June 30, 2014	<u><u>(\$60,560,957)</u></u>

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

Note 22 – Subsequent Events

In September 2015, the School District entered into a lease agreement for the purchase of copiers. The lease is in the amount of \$398,102 and has a 3.73% interest rate. The final payment is September 2023.

In January 2016, the District plans to demolish the Jonathan Wright Elementary School in the amount of \$250,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2014	2013
District's Proportion of the Net Pension Liability	0.18943521%	0.18943521%
District's Proportionate Share of the Net Pension Liability	\$46,077,199	\$54,739,045
District's Covered-Employee Payroll	\$19,688,911	\$19,589,763
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	234.03%	279.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) - Information prior to 2013 is not available

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

	2014	2013
District's Proportion of the Net Pension Liability	0.212328%	0.212328%
District's Proportionate Share of the Net Pension Liability	\$10,745,799	\$10,902,697
District's Covered-Employee Payroll	\$5,779,203	\$5,463,557
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	185.94%	199.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) - Information prior to 2013 is not available

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

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$2,753,436	\$2,709,706	\$2,752,692	\$2,594,376	\$2,571,972
Contributions in Relation to the Contractually Required Contribution	<u>(2,753,436)</u>	<u>(2,709,706)</u>	<u>(2,752,692)</u>	<u>(2,594,376)</u>	<u>(2,571,972)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$20,643,887	\$19,688,911	\$19,589,763	\$20,221,629	\$20,307,721
Contributions as a Percentage of Covered-Employee Payroll	13.34%	13.76%	14.05%	12.83%	12.66%

2010	2009	2008	2007	2006
\$2,854,704	\$2,927,616	\$2,785,188	\$2,462,004	\$2,242,560
<u>(2,854,704)</u>	<u>(2,927,616)</u>	<u>(2,785,188)</u>	<u>(2,462,004)</u>	<u>(2,242,560)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$20,269,602	\$19,969,053	\$19,709,897	\$18,400,353	\$15,476,579
14.08%	14.66%	14.13%	13.38%	14.49%

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

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$1,021,992	\$863,776	\$1,150,824	\$1,099,680	\$1,055,496
Contributions in Relation to the Contractually Required Contribution	<u>(1,021,992)</u>	<u>(863,776)</u>	<u>(1,150,824)</u>	<u>(1,099,680)</u>	<u>(1,055,496)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,192,971	\$5,779,203	\$5,463,557	\$5,445,008	\$5,447,042
Contributions as a Percentage of Covered-Employee Payroll	16.50%	14.95%	21.06%	20.20%	19.38%

2010	2009	2008	2007	2006
\$1,014,360	\$1,017,768	\$963,468	\$841,932	\$702,060
<u>(1,014,360)</u>	<u>(1,017,768)</u>	<u>(963,468)</u>	<u>(841,932)</u>	<u>(702,060)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,583,336	\$5,924,022	\$6,245,499	\$5,803,127	\$4,432,715
18.17%	17.18%	15.43%	14.51%	15.84%