



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Sebring Local School District  
Mahoning County  
510 North 14<sup>th</sup> Street  
Sebring, Ohio 44672-1400

To the Board of Education:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

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

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 17, 2018

**Sebring Local School District**  
Mahoning County, Ohio

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

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The Management's Discussion and Analysis of the Sebring Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities increased \$634,214 which represents a 26 percent increase from fiscal year 2016.
- General revenues accounted for \$7,781,341 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,209,231 or 13 percent of total revenues of \$8,990,572.
- The District had \$8,356,358 in expenses related to governmental activities; only \$1,209,231 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,781,341 were adequate to provide for these programs, as evidenced by the increase in net position.
- The District's major governmental funds are the general fund and the bond retirement debt service fund. The general fund balance increased \$1,419,291 during fiscal year 2017. Cash and cash equivalents within the general fund increased \$1,429,721 from the prior fiscal year, due to increased revenues.
- The bond retirement debt service fund balance decreased \$11,161 to \$609,835, or 2 percent.
- The District's total net pension liability increased to \$10,162,353 from \$7,868,524. For more information on this liability see Note 14 to the basic financial statements.

**Using these Basic 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 *Statement of Net Position* and *Statement of Activities* 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 non-major funds presented in total in one column. In the case of the District, the general fund and the bond retirement debt service fund are the most significant funds of the District, and are the only governmental funds reported as major.

**Sebring Local School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
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**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains a 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 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 Statement of Net Position and the Statement of Activities, the District has only one kind of activity:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

**Reporting the District's Most Significant Funds**

***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. The District's only major governmental funds are the general fund and the bond retirement debt service fund.

***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 financial 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 basic financial statements.



**Sebring Local School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
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**Reporting the District's Fiduciary Responsibilities**

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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's fiduciary funds are a private purpose trust fund and an agency fund.

**The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for fiscal year 2017 and 2016.

**Net Position (Table 1)**  
**Governmental Activities**

	2017	2016	Change
<b>Assets</b>			
Current and Other Assets	\$7,006,213	\$5,430,227	\$1,575,986
Capital Assets, Net	7,451,930	7,944,167	(492,237)
<i>Total Assets</i>	<u>14,458,143</u>	<u>13,374,394</u>	<u>1,083,749</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	30,344	37,214	(6,870)
Pension - STRS	1,477,490	646,254	831,236
Pension - SERS	630,226	127,834	502,392
<i>Total Deferred Outflows of Resources</i>	<u>2,138,060</u>	<u>811,302</u>	<u>1,326,758</u>
<b>Liabilities</b>			
Current Liabilities	706,884	719,954	(13,070)
Long-Term Liabilities			
Due within One Year	131,816	122,118	9,698
Due in More than One Year - Pension	10,162,353	7,868,524	2,293,829
Due in More than One Year - Other	884,661	878,261	6,400
<i>Total Liabilities</i>	<u>11,885,714</u>	<u>9,588,857</u>	<u>2,296,857</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,311,755	1,158,000	153,755
Pension - STRS	211,187	747,762	(536,575)
Pension - SERS	130,124	267,868	(137,744)
<i>Total Deferred Inflows of Resources</i>	<u>1,653,066</u>	<u>2,173,630</u>	<u>(520,564)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	6,991,409	7,453,275	(461,866)
Restricted	890,089	766,027	124,062
Unrestricted (Deficit)	(4,824,075)	(5,796,093)	972,018
<i>Total Net Position</i>	<u>\$3,057,423</u>	<u>\$2,423,209</u>	<u>\$634,214</u>

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

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions manually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

**Sebring Local School District**

Mahoning County, Ohio

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets plus deferred outflows exceeded liabilities plus deferred inflows by \$3,057,423. The increase in net position of \$634,214 is due mostly to an increase in cash on hand as revenues exceeded expenditures during the fiscal year.

At year-end, capital assets represented 52 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. The District's net investment in capital assets at June 30, 2017, was \$6,991,409. 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, \$890,089, represents resources that are subject to external restrictions on how they may be used.

The table below shows the change in net position for fiscal year 2017 and 2016.

**Table 2**  
Change in Net Position  
Governmental Activities

	2017	2016	Increase (Decrease)
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$535,728	\$639,451	(\$103,723)
Operating Grants and Contributions	673,503	639,567	33,936
<i>Total Program Revenues</i>	<u>1,209,231</u>	<u>1,279,018</u>	<u>(69,787)</u>
<b>General Revenues</b>			
Property Taxes	1,280,368	1,411,688	(131,320)
Income Tax	501,517	506,568	(5,051)
Intergovernmental	5,926,116	5,523,602	402,514
Investment Earnings	17,222	3,452	13,770
Miscellaneous	56,118	68,025	(11,907)
<i>Total General Revenues</i>	<u>7,781,341</u>	<u>7,513,335</u>	<u>268,006</u>
<i>Total Revenues</i>	<u>8,990,572</u>	<u>8,792,353</u>	<u>198,219</u>

**Sebring Local School District**

Mahoning County, Ohio

*Management's Discussion and Analysis  
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Unaudited*

**Table 2**  
Change in Net Position  
Governmental Activities

	2017	2016	Increase (Decrease)
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	\$3,148,192	\$2,854,272	\$293,920
Special	1,268,324	1,098,433	169,891
Other	916,095	815,318	100,777
Support Services:			
Pupils	152,989	103,700	49,289
Instructional Staff	44,561	89,440	(44,879)
Board of Education	21,773	17,995	3,778
Administration	909,007	761,070	147,937
Fiscal	294,208	256,660	37,548
Operation and Maintenance of Plant	791,246	668,485	122,761
Pupil Transportation	143,011	123,510	19,501
Central	0	1,171	(1,171)
Operation of Non-Instructional Services	363	4,221	(3,858)
Operation of Food Services	381,233	275,203	106,030
Extracurricular Activities	246,683	267,597	(20,914)
Interest and Fiscal Charges	38,673	45,733	(7,060)
<i>Total Program Expenses</i>	<u>8,356,358</u>	<u>7,382,808</u>	<u>973,550</u>
<i>Change in Net Position</i>	634,214	1,409,545	(775,331)
Net Position Beginning of Year	<u>2,423,209</u>	<u>1,013,664</u>	<u>1,409,545</u>
<i>Net Position End of Year</i>	<u><u>\$3,057,423</u></u>	<u><u>\$2,423,209</u></u>	<u><u>\$634,214</u></u>

**Governmental Activities**

Net position of the District's governmental activities increased \$634,214. This increase is due mostly to an increase in cash and cash equivalents. Total governmental expenses of \$8,356,358 were offset by program revenues of \$1,209,231 and general revenues of \$7,781,341. Program revenues supported 14 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 86 percent of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instruction, which totaled \$5,332,611 or 64 percent of total governmental expenses. Support service expenses totaled \$2,356,795 or 28 percent of total governmental expenses for fiscal year 2017.

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

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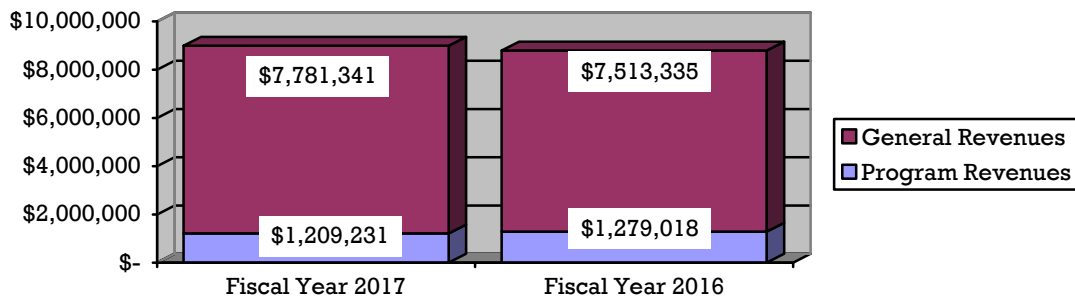
**Governmental Activities**

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
<b>Program expenses</b>				
Instruction:				
Regular	\$3,148,192	\$2,733,843	\$2,854,272	\$2,413,051
Special	1,268,324	947,427	1,098,433	740,048
Other	916,095	913,669	815,318	791,951
Support services:				
Pupils	152,989	85,293	103,700	103,700
Instructional staff	44,561	34,314	89,440	36,043
Board of education	21,773	21,773	17,995	17,995
Administration	909,007	906,964	761,070	759,199
Fiscal	294,208	294,208	256,660	256,645
Operation and maintenance of plant	791,246	791,246	668,485	668,485
Pupil transportation	143,011	143,011	123,510	123,510
Central	0	0	1,171	1,171
Operations of non-instructional services	363	(18,799)	4,221	980
Operation of food services	381,233	70,476	275,203	(9,311)
Extracurricular activities	246,683	185,029	267,597	154,590
Interest and fiscal charges	38,673	38,673	45,733	45,733
<b>Total expenses</b>	<b>\$8,356,358</b>	<b>\$7,147,127</b>	<b>\$7,382,808</b>	<b>\$6,103,790</b>

The dependence upon unrestricted grants and entitlements and general tax revenues for governmental activities is apparent. Over 86 percent of governmental expenses are supported through unrestricted grants and entitlements and property taxes alone.

The graph below presents the District's governmental activities revenue for fiscal year 2017 and 2016.

Governmental Activities - General and Program Revenues



**The District's Funds**

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$4,630,074, an increase of \$1,493,889 from the previous fiscal year. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

**Sebring Local School District**

Mahoning County, Ohio

*Management's Discussion and Analysis  
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	<u>Fund Balance June 30, 2017</u>	<u>Fund Balance June 30, 2016</u>	<u>Increase (Decrease)</u>
General	\$3,784,839	\$2,365,548	\$1,419,291
Bond Retirement	609,835	620,996	(11,161)
Other Governmental	235,400	149,641	85,759
Total	<u>\$4,630,074</u>	<u>\$3,136,185</u>	<u>\$1,493,889</u>

**General Fund**

During fiscal year 2017, the District's general fund balance increased by \$1,419,291. Revenues in the general fund increased from the prior fiscal year by 4 percent, and expenditures also increased, by 7 percent from the prior fiscal year. An overall increase in cash on hand is a large part of this increase to fund balance. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Taxes (Property and Income)	\$1,634,939	\$1,634,006	0.1 %
Tuition and fees	454,577	492,085	(7.6) %
Earnings on investments	17,222	3,452	398.9 %
Intergovernmental	5,870,151	5,488,780	6.9 %
Other revenues	59,975	88,682	(32.4) %
Total	<u>8,036,864</u>	<u>7,707,005</u>	<u>4.3 %</u>
<b><u>Expenditures</u></b>			
Instruction	4,280,462	3,988,383	7.3 %
Support services	2,028,563	1,945,220	4.3 %
Extracurricular activities	178,320	193,438	(7.8) %
Capital outlay	91,830	23,432	291.9 %
Total	<u>\$6,579,175</u>	<u>\$6,150,473</u>	<u>7.0 %</u>

**Bond Retirement Fund**

The bond retirement fund had \$108,932 in revenues and \$120,093 in expenditures, resulting in a decrease of fund balance of \$11,161 or approximately 2 percent from the previous fiscal year.

**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.

**Sebring Local School District**  
Mahoning County, Ohio

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

During the course of fiscal year 2017, the District did not amend its general fund budget. For the general fund, original and final budgeted revenue and other financing sources were \$7,385,624. The actual budget basis revenues and other financing sources for 2017 totaled \$8,013,889, which was \$628,265 more than the original and final budget amount.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$7,561,295 remained the same in the final appropriation. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$6,575,866, which was \$985,429 less than the original and final budget appropriations. The original and final appropriations were based on conservative estimates at the beginning of the fiscal year based upon anticipated expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2017, the District had \$7,451,930 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2017 balances compared to 2016:

<b>Capital Assets at June 30</b>			
<b>(Net of Depreciation)</b>			
Governmental Activities			
	2017	2016	Increase (Decrease)
Land	\$219,600	\$219,600	\$0
Land improvements	144,531	185,202	(40,671)
Building and improvements	6,809,787	7,293,380	(483,593)
Furniture, fixtures and equipment	154,049	89,336	64,713
Textbooks	14,630	21,181	(6,551)
Vehicles	109,333	135,468	(26,135)
<b>Total</b>	<b>\$7,451,930</b>	<b>\$7,944,167</b>	<b>(\$492,237)</b>

Total additions to capital assets for fiscal year 2017 were \$94,630 and net disposals were \$0. The overall decrease in capital assets of \$492,237 is due to annual depreciation of \$586,867 exceeding current year additions.

See Note 10 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

In fiscal year 2010, the District issued refunding Bonds in the amount of \$999,999 which included a premium of \$113,565. The advance refunding resulted in a net present value benefit of \$237,132 and \$304,685 in cash flow savings for the District. The refunding Bonds will be repaid over 12 years and the District made its scheduled principal payment of \$100,000 on the bonds during the fiscal year. A balance of \$517,229 remained on the bonds at June 30, 2017, with \$92,229 being due next fiscal year.

**Sebring Local School District**  
Mahoning County, Ohio

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

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See Note 16 to the basic financial statements for additional information on the District's debt administration.

***Prepaid Asset***

The Mahoning County Educational Service Center (ESC) and Sebring Local Schools contract for certain services throughout the school year. Traditionally payment for these services are taken out of District's monthly foundation and awarded to the ESC in their foundation. After looking at the future and discussing things with the Administrative team both at the ESC and our District, we decided to pre-pay for services starting in fiscal year 2016. Therefore, the foundation agreement between Sebring and the ESC was increased in fiscal year 2016. The District will continue to keep normal annual foundation agreements with the ESC in future years. This way, should the District come into a tight fiscal situation, we will always be able to receive the services that are required. The ESC will issue statements that monitor usage and balances to the District on a quarterly basis. Because of this pre-payment, the District will maintain a pre-paid asset. A billing cycle change had been noted in the 5 year forecasts during fiscal year 2016.

**Current Financial Related Activities**

The District's fiscal health depends on an efficient budgeting process and the utilization of programs that reduce costs, such as consortiums, and diligent cost analysis.

Although House Bill 66, as amended by House Bill 153, is reimbursing the District on the loss of Personal Property Tax Revenue, the potential growth in this tax revenue is non-existent. House Bill 66, as amended by House Bill 153, greatly reduces and eventually eliminates Personal Property Tax and by 2018, the annual revenue stream from personal property taxes was eliminated from the revenue sources of the District. For Sebring, the reimbursement for Personal Property tax stopped in fiscal year 2016. The State of Ohio has declared that the Commercial Activity Tax will be allocated to school districts at 35 percent starting in fiscal year 2013. Previously, the CAT tax was funding the hold-harmless reimbursement payments at 70 percent.

The State added Capacity Aide in the current budget for schools for fiscal year 2016 and 2017. This money was added to aid schools that do not have the ability to generate much income based on property valuation. The three year average median for schools across the State is \$221,000 collected per mill of property tax. The three year average for Sebring is \$45,000 collected per mill. This brought in an additional \$853,000 to the District in fiscal year 2017. Capacity Aide is only in the State's current budget for fiscal 2016 and 2017 and there is no guarantee that Capacity Aide will continue to be funded after fiscal 2017.

The future of State Funding may greatly affect the financial horizon of the District. The State of Ohio was found by the Ohio Supreme Court to be operating an unconstitutional education system in regards to the funding formula. Currently an initiative is actively seeking a restructuring of the State Funding formula. However, the future is uncertain and there may be a risk of a redistribution of tax revenues for school districts in Ohio. This would be catastrophic to the District since tax revenues are a primary source of revenue.



## **Sebring Local School District**

Mahoning County, Ohio

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

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The District receives approximately 70 percent of its revenue from the State of Ohio and is therefore at the State's mercy regarding funding. House Bill 64 is set to increase the revenue from the State over the next two years, thus making for the District even more reliant on the State. State revenues have kept pace with inflation to date, but the future of State revenue increases is uncertain, to say the least.

The District passed a 1 percent income tax levy on the November 2006 ballot to help stabilize its financial condition. This levy has been effective in bringing financial stability that could last well into the future. This levy was renewed by voters on the November 2016 ballot and is now set to expire at the end of 2021.

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

This financial report is designed to provide our administration, Board of Education, community, taxpayers, creditors and investors with a general overview of the District's finances and to show the District's accountability for revenue and expenditures. If you have questions about this report or need additional financial information contact the Treasurer, Ms. Dawn Meeks, Sebring Local District, 510 North 14<sup>th</sup> Street, Sebring, Ohio, 44672-1400.

**Sebring Local School District**

Mahoning County, Ohio

*Statement of Net Position**June 30, 2017*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,857,460
Accounts Receivable	42
Intergovernmental Receivable	46,136
Income Taxes Receivable	199,334
Property Taxes Receivable	1,639,607
Inventory Held for Resale	11,957
Materials and Supplies Inventory	1,951
Prepaid Items	249,726
Nondepreciable Capital Assets	219,600
Depreciable Capital Assets, Net	7,232,330
<i>Total Assets</i>	<u>14,458,143</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	30,344
Pension:	
STRS	1,477,490
SERS	630,226
<i>Total Deferred Outflows of Resources</i>	<u>2,138,060</u>
<b>Liabilities</b>	
Accounts Payable	9,340
Accrued Wages and Benefits Payable	509,574
Intergovernmental Payable	177,313
Matured Compensated Absences Payable	9,203
Accrued Interest Payable	1,454
Long-Term Liabilities:	
Due Within One Year	131,816
Due In More Than One Year:	
Net Pension Liability (See Note 14)	10,162,353
Other Amounts Due in More than One Year	884,661
<i>Total Liabilities</i>	<u>11,885,714</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	1,311,755
Pension:	
STRS	211,187
SERS	130,124
<i>Total Deferred Inflows of Resources</i>	<u>1,653,066</u>
<b>Net Position</b>	
Net Investment in Capital Assets	6,991,409
Restricted for:	
Capital Projects	242,523
Debt Service	562,943
Other Purposes	84,623
Unrestricted (Deficit)	(4,824,075)
<i>Total Net Position</i>	<u>\$3,057,423</u>

See accompanying notes to the basic financial statements

**Sebring Local School District**

Mahoning County, Ohio

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2017*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$3,148,192	\$413,349	\$1,000	(\$2,733,843)
Special	1,268,324	38,802	282,095	(947,427)
Other	916,095	2,426	0	(913,669)
Support Services:				
Pupils	152,989	0	67,696	(85,293)
Instructional Staff	44,561	0	10,247	(34,314)
Board of Education	21,773	0	0	(21,773)
Administration	909,007	0	2,043	(906,964)
Fiscal	294,208	0	0	(294,208)
Operation and Maintenance of Plant	791,246	0	0	(791,246)
Pupil Transportation	143,011	0	0	(143,011)
Operation of Non-Instructional Services	363	0	19,162	18,799
Operation of Food Services	381,233	23,043	287,714	(70,476)
Extracurricular Activities	246,683	58,108	3,546	(185,029)
Interest and Fiscal Charges	38,673	0	0	(38,673)
<i>Total Governmental Activities</i>	<u>\$8,356,358</u>	<u>\$535,728</u>	<u>\$673,503</u>	<u>(7,147,127)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				1,086,792
				89,766
				86,411
				17,399
Income Taxes Levied for:				
				501,517
Grants and Entitlements not				
				5,926,116
				17,222
				56,118
<i>Total General Revenues</i>				<u>7,781,341</u>
				634,214
				2,423,209
				<u>\$3,057,423</u>

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2017*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,943,247	\$607,905	\$306,308	\$4,857,460
Accounts Receivable	42	0	0	42
Interfund Receivable	29,765	0	0	29,765
Intergovernmental Receivable	4,150	0	41,986	46,136
Income Taxes Receivable	199,334	0	0	199,334
Property Taxes Receivable	1,390,660	121,680	127,267	1,639,607
Inventory Held for Resale	0	0	11,957	11,957
Materials and Supplies Inventory	0	0	1,951	1,951
Prepaid Items	249,726	0	0	249,726
<i>Total Assets</i>	<u>\$5,816,924</u>	<u>\$729,585</u>	<u>\$489,469</u>	<u>\$7,035,978</u>
<b>Liabilities</b>				
Accounts Payable	\$8,951	\$0	\$389	\$9,340
Accrued Wages and Benefits Payable	456,038	0	53,536	509,574
Intergovernmental Payable	156,295	0	21,018	177,313
Matured Compensated Absences Payable	9,203	0	0	9,203
Interfund Payable	0	0	29,765	29,765
<i>Total Liabilities</i>	<u>630,487</u>	<u>0</u>	<u>104,708</u>	<u>735,195</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	1,115,202	95,521	101,032	1,311,755
Unavailable Revenue - Property Taxes	253,406	24,229	24,217	301,852
Unavailable Revenue - Income Tax	32,990	0	0	32,990
Unavailable Revenue - Intergovernmental	0	0	24,112	24,112
<i>Total Deferred Inflows of Resources</i>	<u>1,401,598</u>	<u>119,750</u>	<u>149,361</u>	<u>1,670,709</u>
<b>Fund Balances</b>				
Nonspendable	249,726	0	1,951	251,677
Restricted	0	609,835	247,647	857,482
Committed	0	0	37,464	37,464
Assigned	10,820	0	0	10,820
Unassigned (Deficit)	3,524,293	0	(51,662)	3,472,631
<i>Total Fund Balances</i>	<u>3,784,839</u>	<u>609,835</u>	<u>235,400</u>	<u>4,630,074</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,816,924</u>	<u>\$729,585</u>	<u>\$489,469</u>	<u>\$7,035,978</u>

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

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

<b>Total Governmental Fund Balances</b>	<b>\$4,630,074</b>
 <b><i>Amounts reported for governmental activities in the statement of net position are different because</i></b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,451,930
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Property Taxes	301,852
Income Taxes	32,990
Intergovernmental	24,112
Total	358,954
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
STRS	(8,058,953)
SERS	(2,103,400)
Total	(10,162,353)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions:	
STRS	1,477,490
SERS	630,226
Total	2,107,716
Deferred inflows of resources related to pensions:	
STRS	(211,187)
SERS	(130,124)
Total	(341,311)
In the statement of activities, interest is accrued on outstanding general obligation bonds and leases, whereas in governmental funds, an interest expenditure is reported when due.	(1,454)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(425,000)
Capital Appreciation Bonds	(22,562)
Accretion on Bonds	(69,667)
Unamortized Premium	(43,303)
Deferred Charge on Refunding	30,344
Compensated Absences	(455,945)
Total	(986,133)
 <i>Net Position of Governmental Activities</i>	 <b><u>\$3,057,423</u></b>

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,131,317	\$93,681	\$107,461	\$1,332,459
Income Taxes	503,622	0	0	503,622
Tuition and Fees	454,577	0	0	454,577
Interest	17,222	0	0	17,222
Charges for Services	0	0	23,043	23,043
Extracurricular Activities	11,495	0	46,613	58,108
Contributions and Donations	2,613	0	3,546	6,159
Intergovernmental	5,870,151	15,251	712,450	6,597,852
Miscellaneous	45,867	0	10,251	56,118
<i>Total Revenues</i>	<u>8,036,864</u>	<u>108,932</u>	<u>903,364</u>	<u>9,049,160</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,436,172	0	0	2,436,172
Special	928,195	0	285,306	1,213,501
Other	916,095	0	0	916,095
Support Services:				
Pupils	85,130	0	74,234	159,364
Instructional Staff	30,148	0	10,993	41,141
Board of Education	21,773	0	0	21,773
Administration	814,122	0	462	814,584
Fiscal	271,871	2,643	2,609	277,123
Operation and Maintenance of Plant	697,267	0	44,125	741,392
Pupil Transportation	108,252	0	0	108,252
Operation of Non-Instructional Services	0	0	363	363
Operation of Food Services	0	0	369,047	369,047
Extracurricular Activities	178,320	0	66,064	244,384
Capital Outlay	91,830	0	2,800	94,630
Debt Service:				
Principal Retirement	0	100,000	0	100,000
Interest and Fiscal Charges	0	17,450	0	17,450
<i>Total Expenditures</i>	<u>6,579,175</u>	<u>120,093</u>	<u>856,003</u>	<u>7,555,271</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,457,689</u>	<u>(11,161)</u>	<u>47,361</u>	<u>1,493,889</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	38,398	38,398
Transfers Out	(38,398)	0	0	(38,398)
<i>Total Other Financing Sources (Uses)</i>	<u>(38,398)</u>	<u>0</u>	<u>38,398</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,419,291	(11,161)	85,759	1,493,889
<i>Fund Balances Beginning of Year</i>	2,365,548	620,996	149,641	3,136,185
<i>Fund Balances End of Year</i>	<u>\$3,784,839</u>	<u>\$609,835</u>	<u>\$235,400</u>	<u>\$4,630,074</u>

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

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

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**Net Change in Fund Balances - Total Governmental Funds** \$1,493,889

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	94,630	
Current Year Depreciation	(586,867)	
Total		(492,237)

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

Property Taxes	(52,091)	
Income Taxes	(2,105)	
Intergovernmental	(4,392)	
Total		(58,588)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 100,000

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.

Accreted Interest on Bonds	(24,157)	
Amortization of Premium	9,804	
Amortization of Deferred Charge on Advance Refunding	(6,870)	
Total		(21,223)

Governmental funds report district pension contributions as expenditures.

However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Direct pension contributions		
STRS	344,760	
SERS	117,972	
Total		462,732

Cost of benefits earned net of employee contributions		
STRS	(553,883)	
SERS	(194,731)	
Total		(748,614)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (101,745)

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*Change in Net Position of Governmental Activities:* \$634,214

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,000,000	\$1,000,000	\$1,125,265	\$125,265
Income Taxes	375,000	375,000	498,566	123,566
Tuition and Fees	460,800	460,800	454,557	(6,243)
Interest	3,000	3,000	17,601	14,601
Contributions and Donations	0	0	1,000	1,000
Intergovernmental	5,510,000	5,510,000	5,872,016	362,016
Miscellaneous	34,224	34,224	42,284	8,060
<i>Total Revenues</i>	<u>7,383,024</u>	<u>7,383,024</u>	<u>8,011,289</u>	<u>628,265</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,857,815	2,857,815	2,510,821	346,994
Special	983,565	983,565	864,546	119,019
Other	1,040,487	1,040,487	916,162	124,325
Support Services:				
Pupils	95,208	95,208	83,832	11,376
Instructional Staff	46,133	46,133	40,621	5,512
Board of Education	41,398	41,398	24,494	16,904
Administration	899,944	899,944	781,639	118,305
Fiscal	303,852	303,852	267,846	36,006
Operation and Maintenance of Plant	865,659	865,659	713,270	152,389
Pupil Transportation	139,809	139,809	119,580	20,229
Extracurricular Activities	210,010	210,010	184,892	25,118
<i>Total Expenditures</i>	<u>7,483,880</u>	<u>7,483,880</u>	<u>6,507,703</u>	<u>976,177</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(100,856)</u>	<u>(100,856)</u>	<u>1,503,586</u>	<u>1,604,442</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	2,600	2,600
Advances Out	(33,805)	(33,805)	(29,765)	4,040
Transfers In	2,600	2,600	0	(2,600)
Transfers Out	(43,610)	(43,610)	(38,398)	5,212
<i>Total Other Financing Sources (Uses)</i>	<u>(74,815)</u>	<u>(74,815)</u>	<u>(65,563)</u>	<u>9,252</u>
<i>Net Change in Fund Balance</i>	(175,671)	(175,671)	1,438,023	1,613,694
<i>Fund Balance Beginning of Year</i>	2,407,448	2,407,448	2,407,448	0
<i>Prior Year Encumbrances Appropriated</i>	89,695	89,695	89,695	0
<i>Fund Balance End of Year</i>	<u>\$2,321,472</u>	<u>\$2,321,472</u>	<u>\$3,935,166</u>	<u>\$1,613,694</u>

See accompanying notes to the basic financial statements



**Sebring Local School District**

Mahoning County, Ohio

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2017*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$3,274</u>	<u>\$12,626</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$12,626</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$3,274</u>	

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

*Statement of Changes in Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2017*

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	<u>Scholarship</u>
<b>Additions</b>	
Contributions and Donations	\$7,600
<b>Deductions</b>	
Scholarships Awarded	<u>11,600</u>
<i>Change in Net Position</i>	(4,000)
<i>Net Position Beginning of Year</i>	<u>7,274</u>
<i>Net Position End of Year</i>	<u><u>\$3,274</u></u>

See accompanying notes to the basic financial statements

## **Sebring Local School District**

Mahoning County, Ohio

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

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### **Note 1 - Description of the School District and Reporting Entity**

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

The District operates under a locally-elected five member Board form of government. Each member is elected to staggered four year terms. The District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the District's two instructional support facilities staffed by 31 non-certificated and 41 certified teaching personnel and 6 administrators who provide services to students and other community members.

The District is located in Sebring Ohio, Mahoning County. The ADM for the District during the 2017 fiscal year was approximately 506 students. The District operates one elementary school (K-6) and one high school (7-12).

#### ***Reporting Entity***

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District participates in two jointly governed organizations and two public entity risk pools. These organizations are the Area Cooperative Computerized Educational Service System Council of Governments, the Mahoning County Career and Technical Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Portage Area Schools Consortium. These organizations are presented in Notes 19 and 20 to the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

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

**Sebring Local School District**  
Mahoning County, Ohio

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

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**A. Basis of Presentation**

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental and those that are considered business-type. The District, however, has no business-type activities.

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

**Fund Financial Statements** During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

**B. Fund Accounting**

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

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

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

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Mahoning County, Ohio

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*For the Fiscal Year Ended June 30, 2017*

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

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted, committed or assigned to a particular purpose.

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

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

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

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding and pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 14.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes, income tax and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (see Note 14).

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

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

***E. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a

**Sebring Local School District**  
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*Notes to the Basic Financial Statements*  
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need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at the legal level of budgetary control may only be made by resolution of the Board of Education.

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

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

***F. Cash and Cash Equivalents***

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

During fiscal year 2017, the District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$17,222, which includes \$4,714 assigned from other District funds.

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

***G. Inventory***

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

***H. Capital Assets***

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

## Sebring Local School District

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars. The 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:

Description	Estimated Lives
Land Improvements	10 - 20 years
Buildings and Improvements	10 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years
Library Books	10 years

### ***I. Compensated Absences***

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

### ***J. 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

### ***K. Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement



**Sebring Local School District**  
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of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

**L. Fund Balance**

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

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

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

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

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

**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 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.

**Sebring Local School District**  
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*Notes to the Basic Financial Statements*  
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***M. Interfund Balances***

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

***N. Internal Activity***

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

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

***O. Deferred Outflow on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

***P. Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are reported in the year the bonds are issued.

***Q. 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 State Teachers Retirement System (STRS) and School Employees Retirement System (SERS) and additions to/deductions from STRS and SERS's fiduciary net position have been determined on the same basis as they are reported by these 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.

***R. Prepaid Assets***

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The District has recorded a prepaid asset for agreed upon prepayments to the Mahoning County Educational Service Center (ESC).

**Sebring Local School District**  
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*Notes to the Basic Financial Statements  
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**S. Estimates**

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

**Note 3 – Change in Accounting Principle**

For fiscal year 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68”, Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”, Statement No. 77, “Tax Abatement Disclosures”, Statement No. 78, “Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans”, Statement No. 80, “Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14”, and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”.

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

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

GASB Statement No. 77 gives users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature of tax abatements will make these transactions more transparent to financial statement users. These changes were incorporated in the District’s fiscal year 2017 financial statements (see Note 22).

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

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

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

**Note 4 – Accountability**

Fund balances at June 30, 2017 included individual fund deficits in the Food Service, IDEA Part-B Title I and Improving Teacher Quality special revenue funds in the amounts of \$23,696, \$3,831, \$22,112, and \$72, respectively. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**Note 5 - Budgetary Basis of Accounting**

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

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

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\*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the public school support special revenue fund.

Net Change in Fund Balance	
GAAP Basis	\$1,419,291
Net Adjustment for Revenue Accruals	(20,012)
Advances In	2,600
Advances Out	(29,765)
Net Adjustment for Funds Budgeted as Special Revenue	(5,563)
Net Adjustment for Expenditure Accruals	72,490
Adjustment for Encumbrances	(1,018)
Budget Basis	<u>\$1,438,023</u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;

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*Notes to the Basic Financial Statements*  
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4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A - Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,686,050 of the District's bank balance of \$4,962,905 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all District deposits was \$4,873,360 at fiscal year-end.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B - Investments**

As of June 30, 2017, the District had no investments.

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

**Concentration of Credit Risk** The District places no limit on the amount it may invest in any one issuer. The District had no investments at June 30, 2017.

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*Notes to the Basic Financial Statements*  
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**C - Reconciliation of Cash and Investment to the Statement of Net Position**

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

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$4,873,360
Investments	0
Total	<u>\$4,873,360</u>
<u>Cash and Investments per Statement of Net Position</u>	
Governmental activities	\$4,857,460
Private-purpose trust funds	3,274
Agency funds	12,626
Total	<u>\$4,873,360</u>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenue received in calendar 2017 represent collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2017 was \$26,000 in the general fund.

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On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,216,690	94.37 %	\$43,179,020	93.55 %
Public Utility Personal	2,756,350	5.63	2,976,860	6.45
<b>Total</b>	<b>\$48,973,040</b>	<b>100.00 %</b>	<b>\$46,155,880</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$57.70		\$57.60	

**Note 8 – Fund Balances**

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
<b><i>Nonspendable</i></b>				
Prepays	\$249,726	\$0	\$0	\$249,726
Inventory	0	0	1,951	1,951
<b><i>Total Nonspendable</i></b>	<b>249,726</b>	<b>0</b>	<b>1,951</b>	<b>251,677</b>
<b><i>Restricted for</i></b>				
Classroom Maintenance	0	0	24,678	24,678
Debt Service Payments	0	609,835	0	609,835
Capital Improvements	0	0	222,709	222,709
Other Purposes	0	0	260	260
<b><i>Total Restricted</i></b>	<b>0</b>	<b>609,835</b>	<b>247,647</b>	<b>857,482</b>
<b><i>Committed to</i></b>				
After School Programs	0	0	37,464	37,464
<b><i>Assigned to</i></b>				
Other Purposes	10,820	0	0	10,820
<b><i>Unassigned (Deficit)</i></b>	<b>3,524,293</b>	<b>0</b>	<b>(51,662)</b>	<b>3,472,631</b>
<b><i>Total Fund Balances (Deficit)</i></b>	<b>\$3,784,839</b>	<b>\$609,835</b>	<b>\$235,400</b>	<b>\$4,630,074</b>



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**Note 9 - Receivables**

Receivables at June 30, 2017 consisted of property taxes, income taxes, intergovernmental grants and entitlements, accounts receivable and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Position follows:

<b><u>Governmental Activities:</u></b>	
Property Taxes	\$1,639,607
Income Taxes	199,334
Intergovernmental	46,136
Accounts Receivable	42
Total	\$1,885,119

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**Note 10 - Capital Assets**

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

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$219,600	\$0	\$0	\$219,600
Capital assets being depreciated				
Land Improvements	1,122,973	2,800	0	1,125,773
Buildings and improvements	16,325,058	0	0	16,325,058
Furniture, fixtures and equipment	991,308	91,830	0	1,083,138
Library Books	200,764	0	0	200,764
Vehicles	345,785	0	0	345,785
Total capital assets being depreciated	18,985,888	94,630	0	19,080,518
Accumulated depreciation				
Land Improvements	(937,771)	(43,471)	0	(981,242)
Buildings and improvements	(9,031,678)	(483,593)	0	(9,515,271)
Furniture, fixtures and equipment	(901,972)	(27,117)	0	(929,089)
Library Books	(179,583)	(6,551)	0	(186,134)
Vehicles	(210,317)	(26,135)	0	(236,452)
Total accumulated depreciation	(11,261,321)	(586,867) *	0	(11,848,188)
Capital assets being depreciated, net	7,724,567	(492,237)	0	7,232,330
Governmental activities capital assets, net	\$7,944,167	(\$492,237)	\$0	\$7,451,930

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$529,245
Support Services:	
Instructional Staff	1,861
Administration	8,879
Operation and Maintenance of Plant	20,281
Pupil Transportation	22,366
Operation of Food Services	2,609
Extracurricular	1,626
Total Depreciation Expense	\$586,867

**Note 11 – School District Income Tax**

The voters of the District passed a 1 percent, five year, school district income tax in the November 2006 election that became effective January 1, 2007 and was renewed in 2016. District income tax revenue received by the General Fund during fiscal year 2017 was \$503,622.

**Note 12 - Interfund Receivable/Payable**

At June 30, 2017 an interfund receivable/payable existed between the general fund and the IDEA Part B, Title I, and Miscellaneous Federal Grants special revenue funds in the amounts of \$2,234, \$4,731, and \$22,800, respectively. The purpose of these interfund balances was to cover negative cash balances in the funds at June 30th.

**Note 13 - Risk Management**

***A. Comprehensive***

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

Type of Coverage	Coverage
Building and Contents - Replacement Cost (\$5,000 deductible)	\$35,615,927
Boiler and Machinery (\$500 deductible)	14,145,000
Inland Marine Coverage (\$100 deductible)	62,500
General Liability:	
in aggregate	2,000,000
Per occurrence	1,000,000
Fleet Insurance:	
Uninsured motorists	1,000,000
Comprehensive (deductibles; \$1,000 bus / \$250 other)	1,000,000
Collision (deductibles; \$1,000 bus / \$500 other)	1,000,000

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

***B. Employee Group Health, Disability and Life Insurance***

The District participates in the Portage Area Schools Consortium (the "Consortium"), which is a cooperative entity among 14 educational-service providers formed in 1981 to facilitate effective risk management and to share the cost of providing various insurance coverage's and employee benefits. The Health and Welfare Trust is organized under the provisions of Section 501(c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the Consortium. The insurance agreement with the Consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the District does not participate in the day to day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board, as provided in the Consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet claims.

***C. Workers' Compensation Plan***

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 14 – Defined Benefit Pension Plans**

***A. Net Pension Liability***

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

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present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

**B. School Employees Retirement System**

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

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Age and service requirements for retirement are as follows:

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

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

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

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$117,972 for the fiscal year ended June 30, 2017. Of this amount \$78,236 was reported as an intergovernmental payable.

**C. State Teachers Retirement System**

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

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

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The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased August 1, 2015 and will continue to increase periodically until reaching age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

The District's contractually required contribution to STRS was \$344,760 for the fiscal year ended June 30, 2017. Of this amount \$67,084 was reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.02429860%	0.02345408%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.02873860%</u>	<u>0.02407597%</u>	
Change in Proportionate Share	<u>0.00444000%</u>	<u>0.00062189%</u>	
Proportionate Share of the Net Pension Liability	\$2,103,400	\$8,058,953	\$10,162,353
Pension Expense	\$194,731	\$553,883	\$748,614

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$28,370	\$325,621	\$353,991
Net difference between projected and actual earnings on pension plan investments	173,500	669,110	842,610
Change of Assumptions	140,413	0	140,413
Change in Proportionate Share	169,971	137,999	307,970
District contributions subsequent to the measurement date	<u>117,972</u>	<u>344,760</u>	<u>462,732</u>
Total Deferred Outflows of Resources	<u>\$630,226</u>	<u>\$1,477,490</u>	<u>\$2,107,716</u>
<b>Deferred Inflows of Resources</b>			
Change in Proportionate Share	<u>\$130,124</u>	<u>\$211,187</u>	<u>\$341,311</u>

\$462,732 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
<b>Fiscal Year Ending June 30:</b>			
2018	(\$87,049)	(\$121,601)	(\$208,650)
2019	(86,924)	(121,605)	(208,529)
2020	(158,283)	(378,353)	(536,636)
2021	(49,874)	(299,984)	(349,858)
Total	(\$382,130)	(\$921,543)	(\$1,303,673)

**Actuarial Assumptions - SERS**

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

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

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

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

Wage Inflation	3.0 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
COLA or Ad hoc COLA	3 Percent
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was



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reduced from 0.75 percent to 0.50 percent, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$2,784,771	\$2,103,400	\$1,533,065

**Actuarial Assumptions - STRS**

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

Inflation	2.75 Percent
Projected Salary Increases	2.75 Percent at Age 70 to 12.25 Percent at Age 20
Investment Rate of Return	7.75 Percent, Net of Investment Expenses, Including Inflation
Cost of Living Adjustments (COLA)	2% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA paid on Fifth Anniversary of Retirement Date.

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

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

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

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer

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contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$10,709,694	\$8,058,953	\$5,822,897

**E. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2017, four board members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 15 – Postemployment Benefits**

**A. School Employees Retirement System**

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

**Sebring Local School District**  
Mahoning County, Ohio

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

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

Funding policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$14,904.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$14,904, \$11,852, and \$5,390, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

***B. State Teachers Retirement System of Ohio***

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

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

**Sebring Local School District**  
Mahoning County, Ohio

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

**Note 16 - Long-term Obligations**

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

	Outstanding 6/30/16	Additions	Deductions	Outstanding 6/30/17	Amounts due in One Year
<b>General Obligation Bonds:</b>					
2010 Classroom Facilities					
Improvement Refunding Bonds:					
Current Interest Serial Bonds	\$200,000	\$0	\$0	\$200,000	\$0
Current Interest Term Bonds	225,000	0	0	225,000	0
Capital Appreciation Bonds	49,999	0	(27,437)	22,562	22,562
Accretion on Capital Appreciation Bonds	118,073	24,157	(72,563)	69,667	69,667
Unamortized Premium on Refunding Bonds	53,107	0	(9,804)	43,303	0
<b>Total General Obligation Bonds</b>	<b>646,179</b>	<b>24,157</b>	<b>(109,804)</b>	<b>560,532</b>	<b>92,229</b>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	354,200	123,863	(22,118)	455,945	39,587
<b>Total Before Net Pension Liability</b>	<b>1,000,379</b>	<b>148,020</b>	<b>(131,922)</b>	<b>1,016,477</b>	<b>131,816</b>
<b>Net Pension Liability:</b>					
STRS	6,482,022	1,927,638	(350,707)	8,058,953	0
SERS	1,386,502	820,801	(103,903)	2,103,400	0
<b>Total Net Pension Liability</b>	<b>7,868,524</b>	<b>2,748,439</b>	<b>(454,610)</b>	<b>10,162,353</b>	<b>0</b>
<b>Total Long-Term Obligations</b>	<b>\$8,868,903</b>	<b>\$2,896,459</b>	<b>(\$586,532)</b>	<b>\$11,178,830</b>	<b>\$131,816</b>

On April 21, 2010, the District issued Classroom Facilities Improvement Advance Refunding Bonds in the amount of \$999,999 (par value) with interest rates ranging from 2.0 percent to 4.2 percent to advance refund \$1,150,000 of the 1999 Classroom Facilities Improvement Bonds with rates ranging from 4.0 percent to 6.125 percent. The term bonds mature 12/1/2021 and are callable 12/1/2010. The refunding bonds were issued at a premium of \$113,565 and, after paying issuance costs of \$33,985, the net proceeds were \$1,229,579. The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds were called on 12/1/2010. The advance refunding met the requirements of a legal debt defeasance and all of the 1999 Classroom Facilities Improvement Bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$304,685, which resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$237,132.

Compensated absences will be paid from the general fund and the food service, IDEA part B and the Title I special revenue funds.

**Sebring Local School District**  
Mahoning County, Ohio

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

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

The District's overall legal debt margin was \$4,246,635, with an unvoted debt margin of \$46,156 at June 30, 2017. Principal requirements to retire general obligation debt outstanding at June 30, 2017, are as follows:

Fiscal year Ending June 30,	2010 Advance Refunding Bonds (Term & Serial)		2010 Advance Refunding Bonds (Capital Appreciation Bonds)	
	Principal	Interest	Principal	Interest
2018	\$0	\$17,450	\$22,562	\$77,438
2019	100,000	15,450	0	0
2020	100,000	11,450	0	0
2021	110,000	7,140	0	0
2022	115,000	2,415	0	0
<i>Total</i>	<u>\$425,000</u>	<u>\$53,905</u>	<u>\$22,562</u>	<u>\$77,438</u>

**Note 17 - Compensated Absences**

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

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 275 days for certified personnel and 275 for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for certified employees and one-third of accrued, but unused sick leave credit up to a maximum of 65 days for classified employees.

**Note 18 - Set-Asides**

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

**Sebring Local School District**  
Mahoning County, Ohio

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

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

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-Aside Requirement	94,598
Qualifying Disbursements	(49,534)
Current Year Offsets	(69,578)
Total	(\$24,514)
Set-Aside Balance Carried Forward to	
Future Fiscal Years	\$0
Cash balance as of June 30, 2017	\$0

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

**Note 19 - Jointly Governed Organizations**

***A. Area Cooperative Computerized Educational Service System Council of Governments***

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

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

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

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

**Sebring Local School District**  
Mahoning County, Ohio

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

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All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The District paid a monthly fee to ACCESS during fiscal year 2017. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 7320 North Palmyra Road, Suite 127, Canfield, Ohio, 44406.

***B. Mahoning County Career and Technical Center***

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

**Note 20 - Public Entity Risk Pool**

***A. Ohio School Boards Association Workers' Compensation Group Rating Plan***

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

***B. Portage Area Schools Consortium***

The Portage Area Schools Consortium (the "Consortium") is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in Columbiana, Portage and Mahoning counties. The Consortium is a stand alone entity, comprised of two stand-alone pools; the Portage Area Schools Consortium Property and Casualty Pool and the Portage Area Schools Consortium Health and Welfare Insurance Pool. These pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

**Note 21 - Contingencies**

***A. Grants***

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.



**Sebring Local School District**

Mahoning County, Ohio

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

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**B. Litigation**

The District is not party to legal proceedings as a defendant as of June 30, 2017.

**C. School District Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year-end. The final adjustment was not material and is not reflected in the accompanying financial statements.

**Note 22 – Tax Abatements**

As of June 30, 2017, the District provides tax abatements through a Community Reinvestment Area (CRA). This program relates to the abatement of property taxes.

Community Reinvestment Area – Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the Village of Sebring entered into such agreements.

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Community Reinvestment Area	\$196,997

**Sebring Local School District**  
Mahoning County, Ohio

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02873860%	0.02429860%	0.02928400%	0.02928400%
School District's Proportionate Share of the Net Pension Liability	\$2,103,400	\$1,386,502	\$1,482,046	\$1,741,425
School District's Covered-Employee Payroll	\$742,236	\$657,314	\$781,205	\$861,821
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	283.39%	210.93%	189.71%	202.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

**Sebring Local School District**  
Mahoning County, Ohio

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.024075970%	0.023454080%	0.024713510%	0.024713510%
School District's Proportionate Share of the Net Pension Liability	\$8,058,953	\$6,482,022	\$6,011,180	\$7,160,479
School District's Covered-Employee Payroll	\$2,505,407	\$2,539,136	\$2,638,577	\$2,700,077
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	321.66%	255.28%	227.82%	265.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

**Sebring Local School District**

Mahoning County, Ohio

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

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$117,972	\$103,903	\$86,634	\$108,275
Contributions in Relation to the Contractually Required Contribution	(\$117,972)	(\$103,903)	(\$86,634)	(\$108,275)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$842,657	\$742,236	\$657,314	\$781,205
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$119,276	\$113,036	\$115,252	\$111,723	\$81,532	\$76,736
(\$119,276)	(\$113,036)	(\$115,252)	(\$111,723)	(\$81,532)	(\$76,736)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$861,821	\$840,416	\$916,881	\$825,133	\$828,577	\$781,426
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**Sebring Local School District**

Mahoning County, Ohio

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

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$344,760	\$350,757	\$355,479	\$343,015
Contributions in Relation to the Contractually Required Contribution	(\$344,760)	(\$350,757)	(\$355,479)	(\$343,015)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,462,571	\$2,505,407	\$2,539,136	\$2,638,577
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$351,010	\$376,002	\$403,276	\$386,441	\$390,690	\$376,056
(\$351,010)	(\$376,002)	(\$403,276)	(\$386,441)	(\$390,690)	(\$376,056)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,700,077	\$2,892,323	\$3,102,123	\$2,972,623	\$3,005,308	\$2,893,738
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Sebring Local School District**  
Mahoning County, Ohio

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

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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





# Dave Yost • Auditor of State

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

Sebring Local School District  
Mahoning County  
510 North 14<sup>th</sup> Street  
Sebring, Ohio 44672-1400

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sebring Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 17, 2018.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

May 17, 2018



# Dave Yost • Auditor of State

**SEBRING LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 5, 2018**