



OHIO AUDITOR OF STATE
KEITH FABER



**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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MAHONING COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 Canfield Local School District, Mahoning County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

March 18, 2019

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Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

This discussion and analysis of Canfield Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, Net Position increased by \$14,560,935 due in large part to decreases in the net pension and OPEB liabilities.
- Revenues for governmental activities totaled \$31,702,874 in fiscal year 2018. Of this total, 92 percent consisted of general revenues while program revenues accounted for the balance of 8 percent.
- Program expenses totaled \$17,141,939. Instructional expenses made up 46 percent of this total while support services accounted for 44 percent. Other expenses rounded out the remaining 10 percent.
- The general fund balance was \$15,330,480 on a budget basis at fiscal year-end, up from \$14,229,132 at June 30, 2017.
- For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB), resulting in the restatement of beginning net position from the previously reported (\$13,803,948), to (\$23,184,896).
- The District's total net pension liability decreased to \$34,120,036 from \$45,556,610 and the OPEB liability decreased from \$9,443,219 to \$7,588,293, or over \$13 million. For more information on this liability see Notes 11 and 12 to the basic financial statements.

Using this Annual Financial Report

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

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

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The School District as a Whole

Recall that the statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for 2018 compared to 2017:

Net Position (Table 1)			
Governmental Activities			
	2018	(Restated) 2017	Change
Assets			
Current and Other Assets	\$37,222,649	\$35,547,935	\$1,674,714
Capital Assets, Net	11,618,569	12,311,575	(693,006)
<i>Total Assets</i>	<u>48,841,218</u>	<u>47,859,510</u>	<u>981,708</u>
Deferred Outflows of Resources			
Pension	11,371,374	9,038,767	2,332,607
OPEB	342,373	62,271	280,102
<i>Total Deferred Outflows of Resources</i>	<u>11,713,747</u>	<u>9,101,038</u>	<u>2,612,709</u>
Liabilities			
Current Liabilities	2,165,531	2,149,493	16,038
Long-Term Liabilities			
Due within One Year	223,056	228,379	(5,323)
Due in More than One Year:			
Net Pension Liability	34,120,036	45,556,610	(11,436,574)
Net OPEB Liability	7,588,293	9,443,219	(1,854,926)
Other Amounts	3,233,054	3,305,115	(72,061)
<i>Total Liabilities</i>	<u>47,329,970</u>	<u>60,682,816</u>	<u>(13,352,846)</u>
Deferred Inflows of Resources			
Property Taxes	19,568,236	19,083,578	484,658
Pension	1,425,092	379,050	1,046,042
OPEB	855,628	0	855,628
<i>Total Deferred Inflows of Resources</i>	<u>21,848,956</u>	<u>19,462,628</u>	<u>2,386,328</u>
Net Position			
Net Investment in Capital Assets	11,380,152	11,953,949	(573,797)
Restricted	1,444,234	1,598,181	(153,947)
Unrestricted (Deficit)	(21,448,347)	(36,737,026)	15,288,679
<i>Total Net Position</i>	<u>(\$8,623,961)</u>	<u>(\$23,184,896)</u>	<u>\$14,560,935</u>

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Total liabilities decreased by \$13,352,846 due to the decreases mentioned in net pension and net OPEB liabilities, while the District also reduced other long-term liabilities by \$77,384. By comparing assets, deferred outflows, liabilities and deferred inflows of resources, one can see the overall position of the School District has increased as evidenced by the increase in net position of \$14,560,935.

Canfield Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2 shows the changes in Net Position for fiscal year 2018.

Table 2			
Change in Net Position Governmental Activities			
	2018	2017	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,231,859	\$1,215,095	\$16,764
Operating Grants and Contributions	1,147,846	1,352,540	(204,694)
Capital Grants and Contributions	40,500	23,000	17,500
<i>Total Program Revenues</i>	<u>2,420,205</u>	<u>2,590,635</u>	<u>(170,430)</u>
General Revenues			
Property Taxes	19,954,609	19,031,195	923,414
Intergovernmental	9,078,532	8,890,780	187,752
Investment Earnings	203,815	136,842	66,973
Miscellaneous	38,489	25,958	12,531
Gain on Sale of Capital Assets	7,224	8,365	(1,141)
<i>Total General Revenues</i>	<u>29,282,669</u>	<u>28,093,140</u>	<u>1,189,529</u>
<i>Total Revenues</i>	<u>31,702,874</u>	<u>30,683,775</u>	<u>1,019,099</u>
Program Expenses			
Instruction	7,832,963	19,860,631	12,027,668
Support Services	7,487,084	9,634,864	2,147,780
Operation of Non-Instructional/Food Services	962,229	1,202,831	240,602
Extracurricular Activities	852,432	964,452	112,020
Interest and Fiscal Charges	7,231	4,042	(3,189)
<i>Total Program Expenses</i>	<u>17,141,939</u>	<u>31,666,820</u>	<u>14,524,881</u>
<i>Change in Net Position</i>	14,560,935	(983,045)	15,543,980
Net Position Beginning of Year - Restated	<u>(23,184,896)</u>	N/A	
<i>Net Position End of Year</i>	<u>(\$8,623,961)</u>	<u>(23,184,896)</u>	<u>\$14,560,935</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$62,271 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,219,796.

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Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$17,141,939
Negative OPEB Expense under GASB 75	1,219,796
2018 Contractually Required Contributions	59,606
Adjusted 2018 Program Expenses	18,421,341
Total 2017 Program Expenses under GASB 75	31,666,820
Decrease in Program Expenses not Related to OPEB	(\$13,245,479)

Governmental Activities

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

As one can see, the reliance upon local tax revenues for governmental activities is crucial. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 92 percent of total governmental revenue. Total revenues increased \$1.9 million while expenses decreased \$14.5 million. The effects of GASB 68 and 75 greatly distort this comparative analysis due to the significant impact changes made to cost of living adjustments enacted by the state pension board had on the District's share of the total pension/OPEB liability.

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

Table 3
Total and Net Cost of Program Services

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$7,832,963	\$7,078,605	\$19,860,631	\$19,082,032
Support Services	7,487,084	7,160,888	9,634,864	9,203,081
Operation of Non-Instructional and Food Services	962,229	(95,491)	1,202,831	114,973
Extracurricular Activities	852,432	570,501	964,452	672,057
Interest and Fiscal Charges	7,231	7,231	4,042	4,042
<i>Total Expenditures</i>	\$17,141,939	\$14,721,734	\$31,666,820	\$29,076,185

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Mahoning County, Ohio

Management's Discussion and Analysis
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Unaudited

The table above reflects how the District funds its programs through program revenues. Instructional services, support services, co-curricular activities, and interest charges rely heavily on general revenues, while non-instructional and food services were completely funded by program revenues during the fiscal year. The large decrease in instructional and support services is the byproduct of GASB 68 and 75 as previously discussed. To gain a better understanding of operations, please refer to the fund analysis on the next following pages.

The School District's Funds

Information regarding the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$31,425,559, excluding other financing sources, to offset expenditures of \$30,526,896. The net change in fund balance for the year was most significant in the general fund, which increased by \$1,067,792.

Within the general fund revenues increased by \$690,137, and expenditures also increased by \$1,106,587 from the prior year, however revenues continue to exceed expenditures, resulting in the overall increase to fund balance. Prior to the passage of the 5.9 mill, five year current operating expense levy in 2013, District expenditures outpaced revenues within the general fund. For fiscal year 2018, revenues exceeded expenditures by \$1,066,868.

As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property taxes are the largest revenue source, accounting for nearly 63 percent of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Canfield Local School District.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its original budget as needed. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, actual revenue equaled the final estimate. Actual expenditures of \$27,381,465 were \$237,765 more than original appropriations but \$62,235 less than final appropriations. The majority of this difference was due to increased costs of school choice.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$11,618,569 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles.

Canfield Local School District
Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

	2018	2017
Land	\$441,370	\$441,370
Buildings and Improvements	9,534,550	10,007,407
Furniture, Fixtures and Equipment	426,802	451,167
Vehicles	1,215,847	1,411,631
<i>Total</i>	\$11,618,569	\$12,311,575

All capital assets, except land, are reported net of depreciation. As one can see, an overall decrease in capital assets of \$693,006 occurred during the fiscal year. The majority of this decrease is due to annual depreciation of \$778,679 exceeding capital outlays. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Debt

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

Table 5
Outstanding Debt at Year End

	2018	2017
2017 Bus Acquisition Note	\$238,417	\$357,626

The 2018 bus acquisition note was issued to finance the cost of new busses for the District. For more information about the School District's debt, see Note 13 to the basic financial statements.

Current Financial Issues

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

The School District's administration strives to be excellent stewards of their residents' investment in the schools by continuing their practice of being prudent and frugal in the use of their resources while also seeking new ways of obtaining grants and other funds. However, major changes in funding from the state and federal government combined with increased expenditures necessitated the need for an additional 5.9 mill, five-year current operating expense levy which was approved by voters in November of 2013 and subsequently renewed in November of 2018 for another five years. This levy allowed the District to institute all-day kindergarten, reinstate high school transportation, provide much needed technology and safety upgrades as well as expand course offerings all while maintaining a promise to voters to avoid

Canfield Local School District

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*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited*

deficit spending for a period of five years from the date of levy passage. The School District is very grateful to the community for their continued financial support which will help toward reaching the District's new vision to create an educational environment which challenges each student to achieve at the highest potential, leading to top 10 rankings in Ohio by 2022.

Contacting the School District's Financial Management

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

Canfield Local School District

Mahoning County, Ohio

*Statement of Net Position
June 30, 2018*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$16,910,243
Accrued Interest Receivable	12,417
Accounts Receivable	68,505
Property Taxes Receivable	20,134,823
Inventory Held for Resale	7,696
Materials and Supplies Inventory	88,965
Nondepreciable Capital Assets	441,370
Depreciable Capital Assets, Net	11,177,199
<i>Total Assets</i>	<u>48,841,218</u>
Deferred Outflows of Resources	
Pension	11,371,374
Other Postemployment Benefits	342,373
<i>Total Deferred Outflows of Resources</i>	<u>11,713,747</u>
Liabilities	
Accounts Payable	23,966
Accrued Wages and Benefits Payable	1,796,146
Intergovernmental Payable	344,340
Accrued Interest Payable	1,079
Long-Term Liabilities:	
Due Within One Year	223,056
Due In More Than One Year:	
Net Pension Liability	34,120,036
Other Postemployment Benefits Liability	7,588,293
Other Amounts Due in More than One Year	3,233,054
<i>Total Liabilities</i>	<u>47,329,970</u>
Deferred Inflows of Resources	
Property Taxes	19,568,236
Pension	1,425,092
Other Postemployment Benefits	855,628
<i>Total Deferred Inflows of Resources</i>	<u>21,848,956</u>
Net Position	
Net Investment in Capital Assets	11,380,152
Restricted for:	
Capital Projects	446,007
Debt Service	643,364
Other Purposes	275,242
Instructional Materials and Supplies:	
Expendable	4,569
Nonexpendable	75,052
Unrestricted (Deficit)	(21,448,347)
<i>Total Net Position</i>	<u><u>(\$8,623,961)</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$4,820,283	\$154,450	\$211,060	\$0	(\$4,454,773)
Special	2,814,084	32,417	356,431	0	(2,425,236)
Vocational	198,596	0	0	0	(198,596)
Support Services:					
Pupils	1,000,600	0	64,668	0	(935,932)
Instructional Staff	496,285	0	50,580	0	(445,705)
Board of Education	45,181	0	0	0	(45,181)
Administration	942,933	0	163,648	0	(779,285)
Fiscal	609,389	0	0	0	(609,389)
Business	89,100	0	0	0	(89,100)
Operation and Maintenance of Plant	1,991,324	2,100	0	38,000	(1,951,224)
Pupil Transportation	2,240,630	0	0	0	(2,240,630)
Central	71,642	0	7,200	0	(64,442)
Operation of Non-Instructional Services	962,229	763,770	293,950	0	95,491
Extracurricular Activities	852,432	279,122	309	2,500	(570,501)
Interest and Fiscal Charges	7,231	0	0	0	(7,231)
<i>Total Governmental Activities</i>	<u>\$17,141,939</u>	<u>\$1,231,859</u>	<u>\$1,147,846</u>	<u>\$40,500</u>	<u>(14,721,734)</u>
General Revenues					
Property Taxes Levied for:					
					19,332,863
					107,133
					514,613
Grants and Entitlements not					
					9,078,532
Investment Earnings					
					203,815
Miscellaneous					
					38,489
Gain on Sale of Capital Assets					
					7,224
					<u>29,282,669</u>
					14,560,935
					<i>Net Position (Deficit) Beginning of Year - Restated (See Note 3)</i>
					(23,184,896)
					<u><i>Net Position (Deficit) End of Year</i></u>
					<u>(\$8,623,961)</u>

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

*Balance Sheet
Governmental Funds
June 30, 2018*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$15,374,972	\$1,535,271	\$16,910,243
Accrued Interest Receivable	12,417	0	12,417
Accounts Receivable	59,909	8,596	68,505
Property Taxes Receivable	19,506,209	628,614	20,134,823
Inventory Held for Resale	0	7,696	7,696
Materials and Supplies Inventory	87,302	1,663	88,965
<i>Total Assets</i>	<u>\$35,040,809</u>	<u>\$2,181,840</u>	<u>\$37,222,649</u>
Liabilities			
Accounts Payable	\$0	\$23,966	\$23,966
Accrued Wages and Benefits Payable	1,774,426	21,720	1,796,146
Intergovernmental Payable	341,044	3,296	344,340
<i>Total Liabilities</i>	<u>2,115,470</u>	<u>48,982</u>	<u>2,164,452</u>
Deferred Inflows of Resources			
Property Taxes	18,957,719	610,517	19,568,236
Unavailable Revenue - Property Taxes	396,648	13,239	409,887
<i>Total Deferred Inflows of Resources</i>	<u>19,354,367</u>	<u>623,756</u>	<u>19,978,123</u>
Fund Balances			
Nonspendable	87,302	72,552	159,854
Restricted	0	1,422,793	1,422,793
Committed	11,666	13,757	25,423
Assigned	48,536	0	48,536
Unassigned	13,423,468	0	13,423,468
<i>Total Fund Balances</i>	<u>13,570,972</u>	<u>1,509,102</u>	<u>15,080,074</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$35,040,809</u>	<u>\$2,181,840</u>	<u>\$37,222,649</u>

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2018*

Total Governmental Fund Balances \$15,080,074

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 11,618,569

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds. 409,887
Property Taxes

The net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred Outflows - Pension	11,371,374
Deferred Inflows - Pension	(1,425,092)
Net Pension Liability	(34,120,036)
Deferred Outflows - OPEB	342,373
Deferred Inflows - OPEB	(855,628)
OPEB Liability	<u>(7,588,293)</u>

Total (32,275,302)

In the statement of net position, interest is accrued on outstanding loans, whereas in governmental funds an interest expenditure is reported when due. (1,079)

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

Bus Purchase Notes	(238,417)
Compensated Absences	<u>(3,217,693)</u>

Total (3,456,110)

Net Position of Governmental Activities (\$8,623,961)

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$19,073,307	\$613,711	\$19,687,018
Tuition and Fees	186,867	0	186,867
Interest	195,819	7,996	203,815
Charges for Services	0	739,414	739,414
Extracurricular Activities	37,229	241,893	279,122
Rentals	24,356	2,100	26,456
Contributions and Donations	52,337	51,669	104,006
Intergovernmental	8,986,935	1,173,437	10,160,372
Miscellaneous	36,629	1,860	38,489
<i>Total Revenues</i>	<u>28,593,479</u>	<u>2,832,080</u>	<u>31,425,559</u>
Expenditures			
Current:			
Instruction:			
Regular	14,246,277	701,898	14,948,175
Special	3,652,897	367,589	4,020,486
Vocational	320,897	2,957	323,854
Support Services:			
Pupils	1,486,440	71,059	1,557,499
Instructional Staff	764,118	50,735	814,853
Board of Education	45,181	0	45,181
Administration	1,682,830	115,281	1,798,111
Fiscal	607,710	10,425	618,135
Business	88,072	263	88,335
Operation and Maintenance of Plant	1,944,627	57,504	2,002,131
Pupil Transportation	1,986,757	98,164	2,084,921
Central	68,077	7,200	75,277
Operation of Non-Instructional Services	0	1,057,193	1,057,193
Extracurricular Activities	632,728	249,864	882,592
Capital Outlay	0	83,173	83,173
Debt Service:			
Principal Retirement	0	119,209	119,209
Interest and Fiscal Charges	0	7,771	7,771
<i>Total Expenditures</i>	<u>27,526,611</u>	<u>3,000,285</u>	<u>30,526,896</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,066,868</u>	<u>(168,205)</u>	<u>898,663</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	924	6,300	7,224
<i>Total Other Financing Sources (Uses)</i>	<u>924</u>	<u>6,300</u>	<u>7,224</u>
<i>Net Change in Fund Balances</i>	1,067,792	(161,905)	905,887
<i>Fund Balances Beginning of Year</i>	12,503,180	1,671,007	14,174,187
<i>Fund Balances End of Year</i>	<u>\$13,570,972</u>	<u>\$1,509,102</u>	<u>\$15,080,074</u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds		\$905,887
 Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay and capital donations in the current period.		
Capital Outlay	85,673	
Current Year Depreciation	<u>(778,679)</u>	
Total		(693,006)
The net effect of various transactions involving capital assets (i.e.; disposals, sales and donations) is a reduction in net position.		
Assets Disposed	(216,768)	
Accumulated Depreciation on Disposals	<u>216,768</u>	
Total		0
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	267,591	267,591
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	2,298,409	
OPEB	<u>59,606</u>	
Total		2,358,015
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	10,424,728	
OPEB	<u>1,219,796</u>	
Total		11,644,524
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.		
Bus Purchase Note Issued		0
Repayment of long-term debt and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		119,209
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Interest on Bonds		540
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.		
		<u>(41,825)</u>
<i>Change in Net Position of Governmental Activities:</i>		<u><u>\$14,560,935</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$18,635,920	\$19,061,946	\$19,061,946	\$0
Tuition and Fees	271,863	194,793	194,793	0
Interest	286,962	205,612	205,612	0
Rentals	33,222	23,804	23,804	0
Intergovernmental	8,532,000	8,986,935	8,986,935	0
Miscellaneous	2,953	8,299	8,299	0
<i>Total Revenues</i>	<u>27,762,920</u>	<u>28,481,389</u>	<u>28,481,389</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	14,107,160	14,207,160	14,205,255	1,905
Special	3,567,510	3,667,510	3,666,875	635
Vocational	343,730	343,730	341,674	2,056
Support Services:				
Pupils	1,483,825	1,483,825	1,481,703	2,122
Instructional Staff	773,635	773,635	764,367	9,268
Board of Education	46,355	46,355	45,181	1,174
Administration	1,522,070	1,572,070	1,552,919	19,151
Fiscal	558,860	608,860	606,763	2,097
Business	89,000	89,000	88,072	928
Operation and Maintenance of Plant	1,957,290	1,957,290	1,946,084	11,206
Pupil Transportation	1,990,975	1,990,975	1,985,800	5,175
Central	70,265	70,265	68,056	2,209
Extracurricular Activities	633,025	633,025	628,716	4,309
<i>Total Expenditures</i>	<u>27,143,700</u>	<u>27,443,700</u>	<u>27,381,465</u>	<u>62,235</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>619,220</u>	<u>1,037,689</u>	<u>1,099,924</u>	<u>62,235</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	924	924	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>924</u>	<u>924</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	619,220	1,038,613	1,100,848	62,235
<i>Fund Balance Beginning of Year</i>	14,229,132	14,229,132	14,229,132	0
Prior Year Encumbrances Appropriated	500	500	500	0
<i>Fund Balance End of Year</i>	<u>\$14,848,852</u>	<u>\$15,268,245</u>	<u>\$15,330,480</u>	<u>\$62,235</u>

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$40,426	\$132,210
Liabilities		
Due to Students	0	\$132,210
Net Position		
Held in Trust for Scholarships	\$40,426	

See accompanying notes to the basic financial statements

Canfield Local School District

Mahoning County, Ohio

Statement of Changes in Fiduciary Net Position

Private Purpose Trust Fund

For the Fiscal Year Ended June 30, 2018

	<u>Scholarship</u>
Additions	
Interest	\$878
Deductions	
Scholarships Awarded	<u>1,750</u>
<i>Change in Net Position</i>	(872)
<i>Net Position Beginning of Year</i>	<u>41,298</u>
<i>Net Position End of Year</i>	<u><u>\$40,426</u></u>

See accompanying notes to the basic financial statements

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Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District's four instructional support facilities staffed by 148 non-certificated and 178 certified teaching personnel and 10 administrators who provide services to students and other community members.

The School District is located in Canfield Ohio, Mahoning County. The average daily membership for the School District during the 2018 fiscal year was 2,667. The School District operates two elementary schools (K-4), one middle school (5-8), and one high school (9-12).

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Canfield Local School District.

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

B. Fund Accounting

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

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

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

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

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

C. Measurement Focus

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

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

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

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

D. Basis of Accounting

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

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

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

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, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2018 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. 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 and OPEB plans are reported on the government-wide of statement of net position (see Notes 11 and 12).

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.

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

E. Budgetary Data

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

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2018, investments were limited to certificates of deposit, money market accounts, Federal National Mortgage Association Bonds, Federal Farm Credit Bureau Bonds, and STAR Ohio.

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

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$195,819, a negative \$3,191 of which was assigned from other School District funds.

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

G. Inventory

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

Description	Estimated Lives
Land Improvements	10 years
Buildings and Improvements	45 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	10 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

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The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term notes are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Net Position

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

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

M. Fund Balance

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

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

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

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

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

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

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

N. Operating Revenues and Expenses

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

O. Interfund Activity

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

P. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized

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when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Q. Estimates

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

Note 3 – Change in Accounting Principle & Restatement of Prior Year Net Position

A. Change in Accounting Principles

For fiscal year 2018, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, Statement No. 81, “Irrevocable Split-Interest Agreements”, Statement No. 85, “Omnibus 2017”, and GASB Statement No. 86, “Certain Debt Extinguishment Issues”.

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The implementation of GASB Statement 75 resulted in an overall restatement of beginning net position, as previously reported (see below).

GASB Statement No. 81 aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 aims to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District

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incorporated the corresponding GASB 86 guidance into their fiscal year 2018 financial statements; however, there was no effect on beginning net position or fund balance.

B. Restatement of Prior Year Net Position

	Governmental Activities
Net Position at June 30, 2017, as Previously Reported	(\$13,803,948)
<i>Adjustments:</i>	
Net Other Postemployment Benefit (OPEB) Liability	(9,443,219)
Deferred Outflow - District's Contributions Made Subsequent to Measurement Date	62,271
Restated Net Position at June 30, 2017	(\$23,184,896)

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

Note 4 - Budgetary Basis of Accounting

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

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

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

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

	Net Change in Fund Balance
GAAP Basis	\$1,067,792
Net Adjustment for Revenue Accruals	(134,469)
Net Adjustment for Funds Budgeted as Special Revenue	22,379
Net Adjustment for Expenditure Accruals	145,146
Adjustment for Encumbrances	0
Budget Basis	<u>\$1,100,848</u>

Note 5 - Deposits and Investments

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

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

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

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

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

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

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

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

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

Deposits

At June 30, 2018, the carrying value amount of all the District's deposits was \$14,460,754. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2018, \$7,966,059 of the District's bank balance of \$15,221,059 was exposed to custodial risk as described below. \$7,255,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Investments

As of June 30, 2018, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
STAR Ohio	\$298,289	6 months or less
Money Market Accounts	822,494	6 months or less
Federal National Mortgage Association	500,000	6 months or less
Federal Farm Credit Bureau	1,000,000	1 to 3 years
Total Portfolio	\$2,620,783	

STAR Ohio is measured at net asset value per share.

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

Credit Risk STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal National Mortgage Association bonds, and Federal Farm Credit bond carry a

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rating of AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2018:

Investment	Percent of Total
Federal National Mortgage Association	19.08%
STAR Ohio	11.38%
Money Market Account	31.38%
Federal Farm Credit Bureau	38.16%
Total	100.00%

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net position as of June 30, 2018:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Position</u>	
Carrying amount of deposits	\$14,460,754	Governmental Activities	\$16,910,243
Investments	2,620,783	Private Purpose Trust Fund	40,426
Cash on Hand	1,342	Agency Fund	132,210
Total	\$17,082,879		\$17,082,879

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar 2018 represent collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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Public utility property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the 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, 2018 was \$151,842 in the general fund, \$784 in the bond retirement debt service fund, and \$4,074 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$560,857,110	97.63 %	\$607,351,230	97.70 %
Public Utility Personal	13,617,100	2.37	14,282,390	2.30
Total	\$574,474,210	100.00 %	\$621,633,620	100.00 %
Tax rate per \$1,000 of assessed valuation	\$59.90		\$59.80	

Note 7 - Receivables

Receivables at June 30, 2018, consisted of taxes, accounts (rent, student fees and tuition) and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

At June 30, 2018, the School District did not record any intergovernmental receivables.

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Notes to the Basic Financial Statements
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Note 8 – Fund Balances

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

Fund Balances	General	Nonmajor Governmental	Total
<i>Nonspendable:</i>			
Inventory	\$87,302	\$1,663	\$88,965
Permanent Fund Principal	0	70,889	70,889
<i>Total Nonspendable</i>	<u>87,302</u>	<u>72,552</u>	<u>159,854</u>
<i>Restricted for:</i>			
Food Service Operations	0	223,573	223,573
Athletics & Music	0	100,151	100,151
Auxiliary Services	0	13,126	13,126
Student Achievement	0	8,732	8,732
Debt Service Payments	0	641,044	641,044
Capital Improvements	0	436,167	436,167
<i>Total Restricted</i>	<u>0</u>	<u>1,422,793</u>	<u>1,422,793</u>
<i>Committed to:</i>			
College Scholarships	0	13,757	13,757
Community Television	666	0	666
Underground Storage	11,000	0	11,000
<i>Total Committed</i>	<u>11,666</u>	<u>13,757</u>	<u>25,423</u>
<i>Assigned to:</i>			
Other Purposes	48,536	0	48,536
<i>Unassigned</i>	<u>13,423,468</u>	<u>0</u>	<u>13,423,468</u>
<i>Total Fund Balances</i>	<u>\$13,570,972</u>	<u>\$1,509,102</u>	<u>\$15,080,074</u>

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Notes to the Basic Financial Statements
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Note 9 - Capital Assets

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$441,370	\$0	\$0	\$441,370
<i>Capital assets being depreciated:</i>				
Land improvements	751,158	0	0	751,158
Buildings and improvements	24,633,668	0	0	24,633,668
Furniture, fixtures and equipment	3,363,334	55,350	(10,700)	3,407,984
Vehicles	3,782,097	30,323	(206,068)	3,606,352
<i>Total capital assets being depreciated</i>	<u>32,530,257</u>	<u>85,673</u>	<u>(216,768)</u>	<u>32,399,162</u>
<i>Accumulated depreciation:</i>				
Land improvements	(751,158)	0	0	(751,158)
Buildings and improvements	(14,626,261)	(472,857)	0	(15,099,118)
Furniture, fixtures and equipment	(2,912,167)	(79,715)	10,700	(2,981,182)
Vehicles	(2,370,466)	(226,107)	206,068	(2,390,505)
<i>Total accumulated depreciation</i>	<u>(20,660,052)</u>	<u>(778,679) *</u>	<u>216,768</u>	<u>(21,221,963)</u>
Capital assets being depreciated, net	<u>11,870,205</u>	<u>(693,006)</u>	<u>0</u>	<u>11,177,199</u>
Governmental activities capital assets, net	<u>\$12,311,575</u>	<u>(\$693,006)</u>	<u>\$0</u>	<u>\$11,618,569</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$364,681
Special	29,043
Vocational	8,602
Support Services:	
Pupil	18,857
Instructional Staff	450
Administration	11,550
Fiscal	1,035
Business	765
Operation and Maintenance of Plant	59,687
Pupil Transportation	202,681
Operation of Non-Instructional Services	33,869
Extracurricular	47,459
Total Depreciation Expense	\$778,679

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Notes to the Basic Financial Statements
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Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted for the following insurance coverage:

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

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

B. Workers' Compensation

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

C. Employee Medical Benefits

The School District has contracted with the Mahoning County School Employees Insurance Consortium to provide employee medical, prescription drugs, vision and dental benefits. The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Canfield Local School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays ninety percent of the monthly medical/surgical premiums, including prescription drug for all employees. Premiums for all groups are \$2,019 for family, \$1,234 for employee and children, \$1,516 for employee and spouse and \$726 for single.

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Note 11 – Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

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

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

B. School Employees Retirement System

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

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ending June 30, 2018, 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 for fiscal year 2018. The District's contractually required contribution to SERS was \$519,792 for the fiscal year ended June 30, 2018. Of this amount \$15,640 was reported as an intergovernmental payable.

C. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. 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. Members are eligible to retire at age 60 with five year of qualifying service

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credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 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, 12 percent of the 14 percent member rate goes to the DC plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 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, 2018 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was \$1,778,617 for the fiscal year ended June 30, 2018. Of this amount \$303,668 was reported as an intergovernmental payable.

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

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	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.11327500%	0.11133125%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.11416580%</u>	<u>0.11491743%</u>	
Change in Proportionate Share	<u>0.00089080%</u>	<u>0.00358618%</u>	
Proportionate Share of the Net Pension Liability	\$6,821,154	\$27,298,882	\$34,120,036
Pension Expense	(\$234,742)	(\$10,189,986)	(\$10,424,728)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$293,560	\$1,054,155	\$1,347,715
Change of Assumptions	352,727	5,970,566	6,323,293
Change in Proportionate Share	90,822	1,311,135	1,401,957
District contributions subsequent to the measurement date	<u>519,792</u>	<u>1,778,617</u>	<u>2,298,409</u>
Total Deferred Outflows of Resources	<u>\$1,256,901</u>	<u>\$10,114,473</u>	<u>\$11,371,374</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$220,018	\$220,018
Net difference between projected and actual earnings on pension plan investments	32,379	900,892	933,271
Change in Proportionate Share	<u>30,178</u>	<u>241,625</u>	<u>271,803</u>
Total Deferred Inflows of Resources	<u>\$62,557</u>	<u>\$1,362,535</u>	<u>\$1,425,092</u>

\$2,298,409 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$282,532	\$1,593,224	\$1,875,756
2020	438,626	2,818,751	3,257,377
2021	112,410	1,874,000	1,986,410
2022	<u>(159,016)</u>	<u>387,345</u>	<u>228,329</u>
Total	<u>\$674,552</u>	<u>\$6,673,320</u>	<u>\$7,347,872</u>

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Actuarial Assumptions - SERS

SERS' total pension liability is determined by SERS' 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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, June 30, 2017, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 Year Period Ended June 30, 2015
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.50 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
Wage Inflation	3.00 Percent

Mortality Assumptions - Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the 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 most recent experience study was completed June 30, 2015.

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

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<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 Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's Proportionate Share of the Net Pension Liability	\$9,465,990	\$6,821,154	\$4,605,565

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

<u></u>	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's Proportionate Share of the Net Pension Liability	\$39,132,018	\$27,298,882	\$17,331,238

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

Benefit Term Changes Since the Prior Measurement Date Effective July 1, 2017, the COLA was reduced to zero.

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 of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2018, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 12 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. The net OPEB liability has been disclosed below.

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

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$59,606 for fiscal year 2018.

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Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Current Measurement Date	0.11568340%	0.11491743%	
Proportionate Share of the Net OPEB Liability	\$3,104,639	\$4,483,654	\$7,588,293
OPEB Expense	\$148,373	(\$1,368,169)	(\$1,219,796)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$258,825	\$258,825
Change in Proportionate Share	23,942	0	23,942
District contributions subsequent to the measurement date	59,606	0	59,606
Total Deferred Outflows of Resources	\$83,548	\$258,825	\$342,373
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$8,199	\$191,642	199,841
Change of Assumptions	294,614	361,173	655,787
Total Deferred Inflows of Resources	\$302,813	\$552,815	\$855,628

\$59,606 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$100,119	\$64,969	\$165,088
2020	100,119	\$64,969	165,088
2021	76,585	\$64,969	141,554
2022	2,048	\$64,969	67,017
2023	0	17,057	17,057
Thereafter	0	17,057	17,057
Total	\$278,871	\$293,990	\$572,861

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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.

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

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

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

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
District's proportionate share of the net OPEB liability	\$3,749,246	\$3,104,639	\$2,593,945

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For the Fiscal Year Ended June 30, 2018

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$2,519,182	\$3,104,639	\$3,879,501

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are

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one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$6,019,234	\$4,483,654	\$3,270,044
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$3,115,051	\$4,483,654	\$6,284,896

Note 13 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/18	Amounts due in One Year
Governmental-Type Activities					
2017 Bus Acquisition Note 2.173%	\$357,626	\$0	(\$119,209)	\$238,417	\$119,209
Compensated Absences	3,175,868	150,995	(109,170)	3,217,693	103,847
<i>Total Before Net Pension & OPEB Liability</i>	3,533,494	150,995	(228,379)	3,456,110	223,056
Net Pension Liability:					
STRS	37,265,925	0	(9,967,043)	27,298,882	0
SERS	8,290,685	0	(1,469,531)	6,821,154	0
<i>Total Net Pension Liability</i>	45,556,610	0	(11,436,574)	34,120,036	0
Net OPEB Liability:					
STRS	6,145,814	0	(1,662,160)	4,483,654	0
SERS	3,297,405	0	(192,766)	3,104,639	0
<i>Total Net OPEB Liability</i>	9,443,219	0	(1,854,926)	7,588,293	0
<i>Total Long-Term Obligations</i>	\$58,533,323	\$150,995	(\$13,519,879)	\$45,164,439	\$223,056

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

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

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

Canfield Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The School District's overall legal debt margin was \$56,588,070 with an unvoted debt margin of \$621,634 at June 30, 2018.

Principal and interest requirements to retire the bus acquisition note outstanding at June 30, 2018, are as follows:

Fiscal year Ending June 30,	<u>2017 Bus Acquisition Note</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$119,209	\$5,181
2020	119,208	2,590
<i>Total</i>	<u>\$238,417</u>	<u>\$7,771</u>

Note 14 - Other Employee Benefits

A. Compensated Absences

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

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

B. Life Insurance

The School District provides life insurance to all regular employees. Coverage is equal to the annual salary for administrators, the annual salary for certified employees with a minimum of \$37,000 and a maximum of \$50,000, \$40,000 for non-union classified employees, and \$25,000 for classified employees. Life insurance coverage is provided through Dearborn National.

Note 15 - Set-Asides

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

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

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-Aside Requirement	482,220
Qualifying Disbursements	<u>(1,168,589)</u>
Total	<u>(\$686,369)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

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

Note 16 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System Council of Governments

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

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

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

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

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid a monthly fee to ACCESS during fiscal year 2018. Financial information can be obtained by contacting the Treasurer, Brian Stidham, at 7320 North Palmyra Road, Suite 127, Canfield, Ohio, 44406.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 2018, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

Note 17 - Public Entity Risk Pool

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

Note 18 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

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

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by Schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments to fiscal year 2018 are not finalized. ODE has finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the District. These adjustments were insignificant for the District.

REQUIRED SUPPLEMENTARY INFORMATION

Canfield Local School District
Mahoning County, Ohio

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.11416580%	0.11327500%	0.11091570%	0.11309500%	0.11309500%
School District's Proportionate Share of the Net Pension Liability	\$6,821,154	\$8,290,685	\$6,328,957	\$5,723,674	\$6,725,397
School District's Employee Payroll	\$3,785,079	\$3,407,350	\$3,166,973	\$3,187,801	\$3,213,890
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	180.21%	243.32%	199.84%	179.55%	209.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

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

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.114917430%	0.111331250%	0.112751000%	0.108565920%	0.108565920%
School District's Proportionate Share of the Net Pension Liability	\$27,298,882	\$37,265,925	\$31,161,078	\$26,406,989	\$31,455,833
School District's Employee Payroll	\$12,633,764	\$11,714,186	\$11,763,979	\$11,325,923	\$11,916,166
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	216.08%	318.13%	264.89%	233.16%	263.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

Canfield Local School District

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Pension Contribution	\$519,792	\$529,911	\$477,029	\$417,407
Pension Contributions in Relation to the Contractually Required Contribution	(\$519,792)	(\$529,911)	(\$477,029)	(\$417,407)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$3,712,800	\$3,785,079	\$3,407,350	\$3,166,973
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.18%

2014	2013	2012	2011	2010	2009
\$441,829	\$444,803	\$427,891	\$465,917	\$490,385	\$334,598
(\$441,829)	(\$444,803)	(\$427,891)	(\$465,917)	(\$490,385)	(\$334,598)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,187,801	\$3,213,890	\$3,181,350	\$3,706,579	\$3,621,751	\$3,400,389
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Pension Contribution	\$1,778,617	\$1,768,727	\$1,639,986	\$1,646,915
Pension Contributions in Relation to the Contractually Required Contribution	(\$1,778,617)	(\$1,768,727)	(\$1,639,986)	(\$1,646,915)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$12,704,407	\$12,633,764	\$11,714,186	\$11,763,979
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

2014	2013	2012	2011	2010	2009
\$1,472,370	\$1,549,102	\$1,617,744	\$1,687,246	\$1,656,143	\$1,623,215
(\$1,472,370)	(\$1,549,102)	(\$1,617,744)	(\$1,687,246)	(\$1,656,143)	(\$1,623,215)
\$0	\$0	\$0	\$0	\$0	\$0
\$11,325,923	\$11,916,166	\$12,444,188	\$12,978,815	\$12,739,562	\$12,486,269
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio (SERS)

Last Two Fiscal Years (1)

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.11568340%	0.11327500%
School District's Proportionate Share of the Net OPEB Liability	\$3,104,639	\$3,297,405
School District's Employee Payroll	\$3,785,079	\$3,407,350
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	82.02%	96.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

Canfield Local School District

Mahoning County, Ohio

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

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.114917430%	0.111331250%
School District's Proportionate Share of the Net OPEB Liability	\$4,483,654	\$6,145,814
School District's Employee Payroll	\$12,633,764	\$11,714,186
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	35.49%	52.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

Canfield Local School District

Mahoning County, Ohio

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required OPEB Contribution	\$59,606	\$62,271	\$3,829	\$25,969
OPEB Contributions in Relation to the Contractually Required Contribution	(\$59,606)	(\$62,271)	(\$3,829)	(\$25,969)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$3,712,800	\$3,785,079	\$3,407,350	\$3,166,973
Contributions as a Percentage of Employee Payroll	1.61%	1.65%	0.11%	0.82%

2014	2013	2012	2011	2010	2009
\$28,960	\$28,925	\$41,357	\$127,837	\$95,130	\$192,401
(\$28,960)	(\$28,925)	(\$41,357)	(\$127,837)	(\$95,130)	(\$192,401)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,187,801	\$3,213,890	\$3,181,350	\$3,706,579	\$3,621,751	\$3,400,389
0.91%	0.90%	1.30%	3.45%	2.63%	5.66%

Canfield Local School District

Mahoning County, Ohio

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required OPEB Contribution	\$0	\$0	\$0	\$0
OPEB Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	\$0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$12,704,407	\$12,633,764	\$11,714,186	\$11,763,979
Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$113,259	\$119,162	\$124,442	\$129,788	\$127,396	\$124,863
(\$113,259)	(\$119,162)	(\$124,442)	(\$129,788)	(\$127,396)	(\$124,863)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$11,325,923	\$11,916,166	\$12,444,188	\$12,978,815	\$12,739,562	\$12,486,269
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Canfield Local School District

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Pension

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

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 to 3.0% from 3.25%.
- b) Payroll growth assumption was reduced to 3.50% from 4.0%.
- c) Assumed real wage growth was reduced to 0.50% from 0.75%.
- 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% of male rates, and 110% of female rates.
- g) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.
- h) The discount rate was reduced to 7.50% from 7.75%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

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. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date:

- a) The long term expected rate of return was reduced to 7.45% from 7.75%.
- b) The inflation assumption was lowered to 2.50% from 2.75%.
- c) The payroll growth assumption was lowered to 3.0%.
- d) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation.
- e) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016.
- f) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Canfield Local School District

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Other Postemployment Benefits (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017 through 2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date:

- a) Assumed rate of inflation was reduced to 3.0% from 3.25%.
- b) Payroll growth assumption was reduced to 3.50% from 4.0%.
- c) Assumed real wage growth was reduced to 0.50% from 0.75%.
- d) Rates of withdrawal, retirement, and disability were updated to reflect recent experience.
- e) Mortality among active members was updated to the following: 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% of male rates, and 110% of female rates.
- g) Mortality among disabled members was updated to the following: RP-2000 Disabled Mortality
- h) Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients to 1.9% from 2.1% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date:

- a) The discount rate was increased to 4.13% from 3.26% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB).
- b) The long term expected rate of return was reduced to 7.45% from 7.75%.
- c) Valuation year per capita health care costs were updated, and the salary scale was modified.
- d) The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased.
- e) The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<i>Nutrition Cluster:</i>			
National School Lunch Program	100866-3L60	10.555	<u>\$255,878</u>
<i>Total Nutrition Cluster</i>			<u>255,878</u>
Total U.S. Department of Agriculture			<u>255,878</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
<i>Title I Part A Cluster</i>			
Title I Grants to Local Educational Agencies	100866-3M00	84.010	<u>204,946</u>
<i>Total Title I Grants to Local Educational Agencies</i>			<u>204,946</u>
<i>Special Education Cluster (IDEA)</i>			
Special Education Grants to States	100866-3M20	84.027	501,415
Special Education Grants (IDEA Preschool)	MCESC	84.173	<u>13,014</u>
<i>Total Special Education Grants to States</i>			<u>514,429</u>
English Language Acquisition Grants	MCESC	84.365	1,977
<i>Total English Language Acquisition Grants</i>			<u>1,977</u>
Student Support and Academic Enrichment Program, Title IV-A	100866-3M20	84.424	10,000
Improving Teacher Quality State Grants	100866-3Y60	84.367	<u>51,045</u>
<i>Total Improving Teacher Quality State Grants</i>			<u>51,045</u>
Total U.S. Department of Education			<u>782,397</u>
Totals			<u><u>\$1,038,275</u></u>

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

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Canfield Local School District (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 18, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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 opinions 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.



Keith Faber
Auditor of State

Columbus, Ohio

March 18, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Canfield Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Canfield Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



Keith Faber
Auditor of State

Columbus, Ohio

March 18, 2019

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER



CANFIELD LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 9, 2019**