



OHIO AUDITOR OF STATE
KEITH FABER



**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Springfield Local School District
Summit County
2410 Massillon Road
Akron, Ohio 44312

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2021, 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Facilities and Maintenance funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2021, the District has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

As discussed in Note 2 to the financial statements, during 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the 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 schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

October 11, 2022

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Springfield Local School District
Summit County, Ohio
Statement of Net Position - Cash Basis
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 281,142
Restricted Cash and Cash Equivalents	4,380,000
Cash and Cash Equivalents with Fiscal Agent	<u>292,529</u>
<i>Total Assets</i>	<u><u>\$ 4,953,671</u></u>
Net Position	
Restricted for:	
Capital Outlay	\$ 1,948,382
Debt Service	5,012,685
Other Purposes	1,229,401
Unrestricted	<u>(3,236,797)</u>
<i>Total Net Position</i>	<u><u>\$ 4,953,671</u></u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2021

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 13,124,481	\$ 2,445,485	\$ 614,349	\$ (10,064,647)
Special	4,037,218	237,150	2,047,258	(1,752,810)
Vocational	254,574	-	51,613	(202,961)
Other	3,044,026	-	-	(3,044,026)
Support Services:				
Pupils	1,750,667	-	5,652	(1,745,015)
Instructional Staff	1,554,091	-	9,430	(1,544,661)
Board of Education	95,025	-	-	(95,025)
Administration	1,822,079	-	-	(1,822,079)
Fiscal	747,377	-	-	(747,377)
Business	227,466	-	-	(227,466)
Operation and Maintenance of Plant	1,988,563	45	599,468	(1,389,050)
Pupil Transportation	1,680,273	-	167,178	(1,513,095)
Central	83,328	-	-	(83,328)
Operation of Non-Instructional Services:				
Food Service Operations	873,586	23,815	673,287	(176,484)
Community Services	495,394	-	399,866	(95,528)
Extracurricular Activities	700,055	207,235	6,420	(486,400)
Capital Outlay	1,072,075	-	-	(1,072,075)
Debt Service:				
Principal Retirement	235,000	-	-	(235,000)
Interest and Fiscal Charges	1,861,339	-	-	(1,861,339)
<i>Totals</i>	<u>\$ 35,646,617</u>	<u>\$ 2,913,730</u>	<u>\$ 4,574,521</u>	<u>\$ (28,158,366)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				\$ 11,621,329
Debt Service				2,464,933
Capital Outlay				249,410
Classroom Facilities				180,477
Grants and Entitlements not Restricted to Specific Programs				11,442,854
Investment Earnings				(14,345)
Miscellaneous				61,998
<i>Total General Receipts</i>				<u>26,006,656</u>
<i>Change in Net Position</i>				(2,151,710)
<i>Net Position Beginning of Year (Restated-See Note 2)</i>				<u>7,105,381</u>
<i>Net Position End of Year</i>				<u>\$ 4,953,671</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2021

	General	Classroom Facilities and Maintenance	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ (2,723,397)	\$ 909,969	\$ 632,685	\$ 1,252,592	\$ 173,255	\$ 245,104
Restricted Cash and Cash Equivalents	-	-	4,380,000	-	-	4,380,000
Cash and Cash Equivalents with Fiscal Agent	-	-	-	-	292,529	292,529
<i>Total Assets</i>	<u>\$ (2,723,397)</u>	<u>\$ 909,969</u>	<u>\$ 5,012,685</u>	<u>\$ 1,252,592</u>	<u>\$ 465,784</u>	<u>\$ 4,917,633</u>
Fund Balances						
Nonspendable	\$ 7,172	\$ -	\$ -	\$ -	\$ -	\$ 7,172
Restricted	-	909,969	5,012,685	1,252,592	1,008,050	8,183,296
Committed	130	-	-	-	-	130
Assigned	523,987	-	-	-	-	523,987
Unassigned	(3,254,686)	-	-	-	(542,266)	(3,796,952)
<i>Total Fund Balances</i>	<u>\$ (2,723,397)</u>	<u>\$ 909,969</u>	<u>\$ 5,012,685</u>	<u>\$ 1,252,592</u>	<u>\$ 465,784</u>	<u>\$ 4,917,633</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Cash Basis
June 30, 2021

Total Governmental Fund Balances \$ 4,917,633

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

36,038

Net Position of Governmental Activities

\$ 4,953,671

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Classroom Facilities and Maintenance	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 11,621,329	\$ 180,477	\$ 2,464,933	\$ -	\$ 249,410	\$ 14,516,149
Intergovernmental	12,515,433	-	328,473	-	3,165,312	16,009,218
Investment Income	(14,345)	-	-	-	-	(14,345)
Tuition and Fees	2,490,599	-	-	-	-	2,490,599
Extracurricular Activities	41,865	-	-	-	165,085	206,950
Gifts and Donations	1,737	-	-	-	6,420	8,157
Charges for Services	-	-	-	-	23,860	23,860
Rent	192,321	-	-	-	-	192,321
Miscellaneous	61,998	-	-	-	-	61,998
Total Receipts	26,910,937	180,477	2,793,406	-	3,610,087	33,494,907
Disbursements						
Current:						
Instruction:						
Regular	12,567,335	-	-	-	599,572	13,166,907
Special	2,934,301	-	-	-	1,120,762	4,055,063
Vocational	255,508	-	-	-	-	255,508
Other	2,821,681	-	-	-	222,345	3,044,026
Support Services:						
Pupils	1,005,098	-	-	-	751,259	1,756,357
Instructional Staff	1,539,397	-	-	-	15,996	1,555,393
Board of Education	95,027	-	-	-	-	95,027
Administration	1,828,832	-	-	-	-	1,828,832
Fiscal	748,928	-	-	-	-	748,928
Business	228,344	-	-	-	-	228,344
Operation and Maintenance of Plant	1,947,053	-	-	-	45,405	1,992,458
Pupil Transportation	1,687,061	-	-	-	-	1,687,061
Central	83,328	-	-	-	-	83,328
Extracurricular Activities	527,478	-	-	-	173,060	700,538
Operation of Non-Instructional Services:						
Food Service Operations	-	-	-	-	877,727	877,727
Community Services	-	-	-	-	495,394	495,394
Capital Outlay	5,500	107,140	58,522	-	900,913	1,072,075
Debt Service:						
Principal Retirement	-	-	235,000	-	-	235,000
Interest and Fiscal Charges	-	-	1,861,339	-	-	1,861,339
Total Disbursements	28,274,871	107,140	2,154,861	-	5,202,433	35,739,305
Excess of Receipts Over (Under) Disbursements	(1,363,934)	73,337	638,545	-	(1,592,346)	(2,244,398)
Transfers In	-	-	206,101	-	150,000	356,101
Transfers Out	(356,101)	-	-	-	-	(356,101)
Total Other Financing Sources (Uses)	(356,101)	-	206,101	-	150,000	-
Net Change in Fund Balances	(1,720,035)	73,337	844,646	-	(1,442,346)	(2,244,398)
Fund Balances Beginning of Year (Restated-See Note 2)	(1,003,362)	836,632	4,168,039	1,252,592	1,908,130	7,162,031
Fund Balances End of Year	\$ (2,723,397)	\$ 909,969	\$ 5,012,685	\$ 1,252,592	\$ 465,784	\$ 4,917,633

See accompanying notes to the basic financial statements.

**Springfield Local School District
Summit County, Ohio**

*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2021*

Net Change in Fund Balances - Total Governmental Funds	\$ (2,244,398)
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).	<u>92,688</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ (2,151,710)</u></u>
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See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 30,184,025	\$ 30,503,820	\$ 26,857,281	\$ (3,646,539)
Disbursements and Other Financing Uses	<u>28,891,112</u>	<u>30,591,112</u>	<u>29,001,269</u>	<u>1,589,843</u>
Net Change in Fund Balance	1,292,913	(87,292)	(2,143,988)	(2,056,696)
<i>Fund Balance Beginning of Year</i>	(1,234,044)	(1,234,044)	(1,234,044)	-
Prior Year Encumbrances Appropriated	<u>121,342</u>	<u>121,342</u>	<u>121,342</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 180,211</u>	<u>\$ (1,199,994)</u>	<u>\$ (3,256,690)</u>	<u>\$ (2,056,696)</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Classroom Facilities and Maintenance Fund
For the Fiscal Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 177,000	\$ 177,000	\$ 180,477	\$ 3,477
Disbursements and Other Financing Uses	<u>306,072</u>	<u>306,072</u>	<u>133,830</u>	<u>172,242</u>
Net Change in Fund Balance	(129,072)	(129,072)	46,647	175,719
<i>Fund Balance Beginning of Year</i>	820,662	820,662	820,662	-
Prior Year Encumbrances Appropriated	<u>15,970</u>	<u>15,970</u>	<u>15,970</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 707,560</u>	<u>\$ 707,560</u>	<u>\$ 883,279</u>	<u>\$ 175,719</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Fund
June 30, 2021

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 36,038</u>
Net Position	
Unrestricted	<u>\$ 36,038</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	Governmental Activities - Internal Service Fund
Operating Receipts	
Charges for Services	\$ 5,462,011
<i>Total Operating Receipts</i>	5,462,011
Operating Disbursements	
Purchased Services	761,514
Claims	4,607,809
<i>Total Operating Disbursements</i>	5,369,323
<i>Operating Income (Loss)</i>	92,688
<i>Net Position Beginning of Year, Restated</i>	(56,650)
<i>Net Position End of Year</i>	\$ 36,038

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Springfield Local School District (the “School District”) was 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 is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District.

Reporting Entity

The reporting entity is required to be composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Springfield Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The Township of Springfield, which operates within the School District’s boundaries for the benefit of its residents, is excluded from the accompanying financial statements.

The School District participates in one jointly governed organization, the North East Ohio Network for Educational Technology (NEOnet), which is presented in Note 13 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District’s financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The School District also reports investments as assets, valued at cost basis.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued liabilities and the related disbursements) are not recorded in these financial statements.

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.

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 also eliminated to avoid "doubling up" receipts and disbursements.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limitations. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. 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 on the face of the proprietary fund statements.

B. Fund Accounting

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

Governmental Funds The following is the School District's major governmental funds:

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

General Fund The general fund accounts 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.

Classroom Facilities and Maintenance Fund The classroom facilities and maintenance fund accounts for the proceeds of a levy for the maintenance of facilities.

Debt Service Fund The debt service fund accounts for tax revenues collected and used to retire long bond obligations of the School district.

Classroom Facilities Fund The classroom facilities fund accounts for monies received and expended in connection with contracts entered into by the school district and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing organizations and activities which are similar to those found in the private sector. Proprietary funds are classified either as enterprise or internal service.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee health benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District does not have any fiduciary funds.

C. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP.. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and receipt for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued liabilities and the related disbursements) are not recorded in these financial statements.

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

D. Budgetary Data

All funds, other than custodial 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. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the 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 receipts 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 adopted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated receipts. 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.

E. Cash and Cash Equivalents

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

Investments of the School District's cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and cash equivalents." Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

During fiscal year 2021, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 School 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 an NAV per share that approximates fair value.

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For the fiscal year 2021, 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the general fund to receive allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2021 amounted to \$(14,345) with \$(19,016) assigned from other funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

J. Pensions and OPEB

For purposes of measuring the net pension and net other postemployment benefits (OPEB) liability (asset), information about the fiduciary net position of the retirement plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, pension and health care benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. The pension systems report investments at fair value.

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K. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when made.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

M. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. 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 interfund loans.

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

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

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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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated receipt and appropriations in the subsequent year's appropriated budget.

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

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the School District, these receipts are charges for services for self-insurance programs. Operating disbursements are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All receipts and disbursements not meeting these definitions are classified as non-operating.

P. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2021, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, and certain provisions of GASB Statement No. Statement No. 93, *Replacement of Interbank Offered Rates*.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the School District's financial statements (see below).

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

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GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

GASB Statement No. 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The implementation of GASB Statement No. 98 did not have an effect on the financial statements of the School District.

Restatement of Net Position/Fund Balances

The School District changed from the GAAP basis of accounting to the cash basis of accounting for fiscal year 2021, resulting in a restatement of the fiscal year 2020 financial statements. In addition, the School District evaluated certain fund classifications that resulted in a change in classifications that required a restatement to the beginning fund balances/net position. The effect on fund balances/net position of is below:

	Governmental Activities	Internal Service
Net Position, June 30, 2020	\$(21,085,224)	\$ (375,281)
Restatement to Convert to Cash basis	28,144,137	318,761
GASB Statement No. 84	46,468	(130)
Restated Net Position, June 30, 2020	\$ 7,105,381	\$ (56,650)

The change from GAAP Basis to Cash Basis and implementation of GASB 84 had the following effect on fund balance as reported June 30, 2020:

	General Fund	Classroom Facilities and Maintenance	Debt Service	Classroom Facilities	Other Governmental Funds	Total
Fund Balances, June 30, 2020	\$ (3,939,894)	\$ 853,828	\$4,393,356	\$ 968,641	\$ 1,205,598	\$3,481,529
Restatement to Convert to Cash basis	2,934,309	(17,196)	(225,317)	283,951	658,157	3,633,904
GASB Statement No. 84	2,223	-	-	-	44,375	46,598
Restated Fund Balances, June 30, 2020	\$ (1,003,362)	\$ 836,632	\$4,168,039	\$1,252,592	\$ 1,908,130	\$7,162,031

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The implementation of GASB 84 had the following effect on fiduciary net position as reported June 30, 2020:

	Fiduciary Funds	
	Private Purpose	
	Trust	Agency
Net Position, June 30, 2020	\$ 10,020	\$ -
GASB Statement No. 84 Adjustments:		
Assets	(10,020)	(36,445)
Liabilities	-	36,445
Restated Net Position, June 30, 2020	\$ -	\$ -

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund and the classroom and facilities maintenance fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund and classroom facilities and maintenance fund.

	Net Change in Fund Balance	
	General Fund	Classroom Facilities and Maintenance
Cash Basis	\$ (1,720,035)	\$ 73,337
Funds Budgeted Elsewhere**	18,527	-
Adjustment for Encumbrances	(442,480)	(26,690)
Budget Basis	\$ (2,143,988)	\$ 46,647

** As part of Governmental Accounting Standards Board Statement 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 cash basis. This includes the Public School Support and Unclaimed Monies funds.

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NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies 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 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, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding thirty days;
- 4) Bonds and other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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- 6) The State Treasurer's investment pool (Star Ohio);
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, in an amount not to exceed forty percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Restricted Cash and Cash Equivalents - At fiscal year end, \$4,380,000 was held separately for required sinking fund deposits relating to the School District's energy conservation bonds. These funds are not included in "deposit" or "investments" below.

Deposits - At year-end, the School District's bank balance was \$2,748,921. Of the bank balance of \$2,748,921, \$250,000 was covered by FDIC, \$1,779,428 was collateralized by the financial institution's participation in the OPCS and \$719,493 was uninsured, uncollateralized and exposed to custodial credit risk. Although the securities were held by the pledging financial institution's trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, the School District's financial institution was approved for a reduced collateral rate of 50 percent through the OPCS.

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Investments

As of June 30, 2021, the School District had the following investment and maturity:

Rating	Investment	Measurement Amount	Investment Maturities 12 Months or Less	Percent of Total
AAAm	STAR Ohio	\$ 451	\$ 451	0.02%
N/A	US Treasury Money Market	1,989,670	1,989,670	99.98%
	Total	<u>\$ 1,990,121</u>	<u>\$ 1,990,121</u>	<u>100.00%</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District’s investment policy limits investment portfolio maturities to two years or less for investments with a fixed interest rate, and one year or less for investments with a variable interest rate.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2021, is 54 days

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020 and are collected in 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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The School District receives property taxes from Summit and Portage Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 379,595,390	97.37%	\$ 421,534,400	97.21%
Public Utility Personal Property	10,245,550	2.63%	12,109,920	2.79%
	\$ 389,840,940	100.00%	\$ 433,644,320	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 55.96		\$ 54.37	

NOTE 6 – INTERFUND ACTIVITY

A. Interfund Transfers

Transfers made during 2021 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 356,101
Debt Service	206,101	-
Nonmajor Governmental Funds:		
Lunch Room Fund	150,000	-
Total	\$ 356,101	\$ 356,101

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 7– RISK MANAGEMENT

The School District insures its buildings and their contents through insurance having a \$2,500 deductible and providing replacement costs for such items. An inventory of all loose equipment is conducted annually.

Appropriate liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 aggregate. The School District also has an excess policy in the amount of \$2,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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A bond of \$50,000 is maintained on the Treasurer and Business Manager. Bonds are also provided for the school Board President and Superintendent in the amount of \$50,000 each.

By State statute, bond is provided by all contractors in amounts sufficient to cover the entire bid amount awarded to the contractor.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/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 net pension/OPEB liability (asset) represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension/OPEB liability (asset) 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.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) 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/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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; or 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 years of service; 2.2 percent for the first 30 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The School District’s contractually required contribution to SERS was \$546,878 for fiscal year 2021.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through 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. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive 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 is deposited into the member’s DC account 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 at age 50 and after termination of employment.

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

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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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2021 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,765,899 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.10926710%	0.10976006%	
Prior Measurement Date	<u>0.11473220%</u>	<u>0.11088915%</u>	
Change in Proportionate Share	<u>-0.00546510%</u>	<u>-0.00112909%</u>	
Proportionate Share of the Net Pension Liability	<u>\$ 7,227,156</u>	<u>\$ 26,558,029</u>	<u>\$ 33,785,185</u>

Actuarial Assumptions - SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment 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. Future benefits for all current plan members were projected through 2130.

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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 investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	<u>5.00</u>	6.65
Total	<u>100.00 %</u>	

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Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. 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 investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School 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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District'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.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 9,900,322	\$ 7,227,156	\$ 4,984,320

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, are presented below:

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
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	3.00 percent
Cost of Living Adjustments	0.00 percent

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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, 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.

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011 through June 30, 2016.

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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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
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	100.00 %	

*Ten 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 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, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. 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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School 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:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 37,814,010	\$ 26,558,029	\$ 17,019,523

NOTE 9 – DEFINED BENEFIT OPEB PLANS

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

See Note 8 for a description of the net OPEB liability (asset).

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Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School 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 Annual Comprehensive 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 the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions 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 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$63,244.

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. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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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, 2021, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School 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:

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.11347700%	0.10976000%
Prior Measurement Date	0.11761400%	0.11088900%
Change in Proportionate Share	-0.00413700%	-0.00112900%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,466,233	\$ (1,929,030)

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.

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.

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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate	
Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 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 (expected return, net of investment expense and inflation) 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 time frame. 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	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic pension 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. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

Sensitivity of the School 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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 3,018,600	\$ 2,466,233	\$ 2,027,091
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 1,941,966	\$ 2,466,233	\$ 3,167,297

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, 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	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expense, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

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.

The actuarial assumptions used in the June 30, 2020 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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>	

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*Ten 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 actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB asset as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset 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. Also shown is the net OPEB asset as of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,678,382)	\$ (1,929,030)	\$ (2,141,696)

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (2,128,496)	\$ (1,929,030)	\$ (1,686,052)

NOTE 10 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

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C. School District Funding

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. ODE finalized the impact of the enrollment adjustments for the June 30, 2021 foundation funding period for the School District noting the financial impact was immaterial and therefore will not be disclosed.

NOTE 11 - OTHER COMMITMENTS

Encumbrance Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General Fund	\$ 448,496
Classroom Facilities and Maintenance Fund	26,690
Other Governmental Funds	207,750
	\$ 682,936

NOTE 12 - LONG - TERM OBLIGATIONS

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

	Outstanding 6/30/20	Additions	Reductions	Outstanding 6/30/21	Amounts Due in One Year
Governmental Activities:					
<i>Direct Placement</i>					
Energy Conservation Bonds, Series 2017	\$ 650,000	\$ -	\$ (75,000)	\$ 575,000	\$ 75,000
2019 Bus Transportation Depot Lease	2,900,000	-	(160,000)	2,740,000	160,000
<i>Total Direct Placement</i>	3,550,000	-	(235,000)	3,315,000	235,000
<i>School Facilities Improvement Bonds</i>					
Series 2010B Build America Bonds	20,200,000	-	-	20,200,000	-
Series 2010C Qualified School Construction Bonds	11,260,000	-	-	11,260,000	-
<i>Total School Facilities Improvement Bonds</i>	31,460,000	-	-	31,460,000	-
<i>Total Governmental Activities Long-Term Obligations</i>	\$ 35,010,000	\$ -	\$ (235,000)	\$ 34,775,000	\$ 235,000

The bus transportation depot lease, energy conservation bond and the school facilities bonds will be paid from the debt service fund.

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Energy Conservation Bonds, Series 2017

On September 19, 2017, the School District issued \$795,000 in Energy Conservation Bonds with an interest rate of 2.20 percent. The bonds were issued for a ten-year period, with final maturity at December 1, 2027. The outstanding Energy Conservation Bonds are a direct obligation of the School District for which full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property of the School District. The School Energy Conservation Bond will be paid with tax revenue from the debt service fund.

School Facilities Improvement General Obligation Bonds

On August 31, 2010, the School District issued \$33,724,861 in voted general obligation bonds for constructing, furnishing, equipping and improving a new school building for grades 7 through 12 along with related abatement and demolition, and other school district building improvements. The bond issue included a current interest bond in the amount of \$1,540,000 and two capital appreciation bonds in the amount of \$496,934 (matured in fiscal year 2013) and \$227,927 (matured in fiscal year 2014), respectively. The issuance also included federally taxable Build America Bonds for \$20,200,000 and federally taxable qualified school construction bonds for \$11,260,000. The bonds were issued with a premium of \$412,137, which was reported as an increase to long-term debt. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The bonds will be retired with a voted property tax levy from the bond retirement debt service fund.

The current interest bonds will not be subject to redemption prior to maturity. The Build America Bonds maturing on or after September 1, 2019 are subject to prior optional redemption either in whole or in part at 100 percent par. It is also subject to extraordinary optional redemption, in whole at any date or in part on any date at a redemption price of 100 percent of par in the event that the department of Treasury should cease, or announce its intention to cease, making full payment of the direct payment. The qualified school construction bonds are not subject to optional redemption prior to maturity. It is also subject to extraordinary optional redemption either in whole or in part on any date at a redemption price equal to 100 percent of par in the event that the department of Treasury should cease, or announce its intention to cease, making full payment of the direct payment and it is subject to mandatory redemption on any date at a redemption price equal to 100 percent of par due to excess proceeds to the extent that less than 100 percent are expended by August 31, 2014.

The qualified school construction bonds mature on September 1, 2027. The School District is required to make deposits into a sinking fund account created in the Bond Retirement fund for payment of the principal amount of the Series 2010C bonds at maturity according to the following schedule:

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

September 1 of year	Amount Due	Amount Deposited
2015	\$ 300,000	\$ 300,000
2016	770,000	770,000
2017	780,000	780,000
2018	830,000	830,000
2019	845,000	845,000
2020	855,000	855,000
2021	910,000	-
2022	925,000	-
2023	935,000	-
2024	995,000	-
2025	1,010,000	-
2026	1,025,000	-
2027	1,080,000	-
	<u>\$ 11,260,000</u>	<u>\$ 4,380,000</u>

The amount deposited is reported as a restricted asset on the basic financial statements.

2019 Bus Transportation Depot Lease

On March 13, 2020, the School District entered into a \$2,900,000 lease with an interest rate of 2.76 percent. The lease was issued for a 15 year period, with final maturity at December 1, 2034. The lease is a direct obligation of the School District for which full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property of the School District. The Bus Transportation Depot Lease will be paid with tax revenue from the debt service fund.

Principal and interest requirements to retire the long-term note and general obligation bonds outstanding at June 30, 2021 are as follows:

Fiscal Year Ending June 30,	Qualified School					
	Build America		Construction		Energy Conservation	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ -	\$ 1,210,613	\$ -	\$ 591,150	\$ 75,000	\$ 11,825
2023	-	1,210,613	-	591,150	80,000	10,120
2024	-	1,210,613	-	591,150	80,000	8,360
2025	-	1,210,613	-	591,150	80,000	6,600
2026	-	1,210,613	-	591,150	85,000	4,785
2027 - 2031	3,070,000	5,799,660	11,260,000	886,725	175,000	3,905
2032 - 2036	6,280,000	4,309,665	-	-	-	-
2037 - 2041	8,050,000	2,162,125	-	-	-	-
2042 - 2043	2,800,000	176,404	-	-	-	-
Totals	<u>\$ 20,200,000</u>	<u>\$ 18,500,919</u>	<u>\$ 11,260,000</u>	<u>\$ 3,842,475</u>	<u>\$ 575,000</u>	<u>\$ 45,595</u>

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Fiscal Year Ending June 30,	Bus Transportation Depot		Total	
	Principal	Interest	Principal	Interest
2022	\$ 160,000	\$ 73,416	\$ 235,000	\$ 1,887,004
2023	165,000	68,931	245,000	1,880,814
2024	170,000	64,308	250,000	1,874,431
2025	175,000	59,547	255,000	1,867,910
2026	180,000	54,648	265,000	1,861,196
2027 - 2031	985,000	194,649	15,490,000	6,884,939
2032 - 2036	905,000	50,853	7,185,000	4,360,518
2037 - 2041	-	-	8,050,000	2,162,125
2042 - 2043	-	-	2,800,000	176,404
Totals	\$ 2,740,000	\$ 566,352	\$ 34,775,000	\$ 22,955,341

The bonds are backed by the full faith and credit of the School District.

NOTE 13 – NORTH EAST OHIO NETWORK FOR EDUCATIONAL TECHNOLOGY

The North East Ohio Network for Educational Technology (NEOnet) is a jointly governed organization comprised of 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEOnet based on a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEOnet is governed by a board of directors chosen from the general membership of the NEOnet assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the North East Ohio Network for Educational Technology, 700 Graham Road, Cuyahoga Falls, Ohio 44221. During the fiscal year ended June 30, 2021, the School District paid \$333,447 to NEOnet for basic service charges.

NOTE 14 – STATUTORY RESERVES

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

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>Capital Improvement Reserve</u>
Set-Aside Restricted Balance as of June 30, 2020	\$ -
Current Year Set-Aside Requirement	389,843
Current Year Offsets	<u>(455,296)</u>
Total	<u>\$ (65,453)</u>
Balance Carried Forward to Fiscal Year 2022	<u>\$ -</u>
Set-aside Restricted Balance June 30, 2021	<u>\$ -</u>

Although the School District had offsets (permanent improvement and classroom facilities and maintenance property tax levy proceeds) during the fiscal year that reduced the set-aside amount to below zero for the capital improvement 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 15 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

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Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Classroom Facilities and Maintenance	Debt Service	Classroom Facilities	Other Governmental Funds	Total
Nonspendable:						
Unclaimed Monies	\$ 7,172	\$ -	\$ -	\$ -	\$ -	\$ 7,172
Total Nonspendable	<u>7,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,172</u>
Restricted for:						
Debt Service	-	-	5,012,685	-	-	5,012,685
Capital Outlay	-	909,969	-	1,252,592	695,790	2,858,351
Management Info Systems	-	-	-	-	6,101	6,101
Federal and State Grant Programs	-	-	-	-	22,139	22,139
Athletics	-	-	-	-	99,709	99,709
Other Purposes	-	-	-	-	131,042	131,042
Other Grants	-	-	-	-	53,269	53,269
Total Restricted	<u>-</u>	<u>909,969</u>	<u>5,012,685</u>	<u>1,252,592</u>	<u>1,008,050</u>	<u>8,183,296</u>
Committed for:						
Other Purposes:	130	-	-	-	-	130
Total Committed	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130</u>
Assigned for:						
Encumbrances:						
Instruction	58,950	-	-	-	-	58,950
Support	375,030	-	-	-	-	375,030
Extracurricular Activities	8,500	-	-	-	-	8,500
Community Education	1,034	-	-	-	-	1,034
Recreation Fund	9	-	-	-	-	9
Public	80,464	-	-	-	-	80,464
Total Assigned	<u>523,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523,987</u>
Unassigned	<u>(3,254,686)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(542,266)</u>	<u>(3,796,952)</u>
Total Fund Balance	<u>\$ (2,723,397)</u>	<u>\$ 909,969</u>	<u>\$ 5,012,685</u>	<u>\$ 1,252,592</u>	<u>\$ 465,784</u>	<u>\$ 4,917,633</u>

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	Deficit Fund Balance
Other Governmental Funds:	
Food Service	\$ 158,624
Early Childhood Education	8,103
Vocational Education Enhancement	1,749
Esser-Cares Act	22,556
Rural and Small Town FY21	3,267
Title VI-B	151,767
Title I	171,711
IDEA Preschool	1,546
Miscellaneous Federal Grants	22,943
Total	\$ 542,266

NOTE 16 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2021, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

At June 30, 2021, the School District had deficit balances in the amount of \$542,266, as previously disclosed in Note 15. The General Fund provides transfers to cover deficit balance; however, this is done when cash is needed.

B. Compliance

Appropriations exceed estimated resources in the general fund by \$1,199,994.

At June 30, 2021, the School District was not in compliance with the provisions of the School Facility Improvement Bonds covenants that require the School District to file annual financial information and operating data, audited financial statements and notices to the Municipal Securities Rulemaking Board (MSRB) through the MSRB's Electronic Municipal Market Access System (EMMA). The covenants require filing annual information for each fiscal year not later than 270 days after fiscal year end, filing audited financial statements for fiscal year 2010 and subsequent, filing notice of any change in the accounting principles applied in the preparation of its annual financial statements, and notice of the School District's failure to provide annual information within the

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

time specified. The School District has not filed annual information for fiscal years 2019 - 2021, or audited financial statements for fiscal years 2010 - 2014 and 2016 - 2020, or notice of the change from reporting on a GAAP basis to a cash basis for fiscal year 2021, or notice of failure to provide annual information for fiscal years 2019 - 2021 within the specified time. In August 2022, the District's bond counsel submitted annual financial information and operating data for fiscal year 2021, audited financial statements for fiscal years 2017 - 2020 and a notice of failure to timely provide annual financial information.

NOTE 17 – SUBSEQUENT EVENT

For fiscal year 2022, school district foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$3,433,952 in revenues and expenditures/expenses related to these programs. Also during fiscal year 2021, the school district reported \$1,818,551 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each school district. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

NOTE 18 – FISCAL CAUTION

On October 9, 2020, the District was placed in fiscal caution by the Ohio Department of Education. This declaration results in the District being required to prepare a recovery plan to correct the fiscal deficiencies and technical assistance will be provided to the District by the Department of Education.

NOTE 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School District’s investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures	Total Federal Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
School Breakfast Program	10.553	102587-3L70-2021	\$104,292	
COVID-19 School Breakfast Program	10.553	102587-3L70-2021	50,779	
National School Lunch Program	10.555	102587-3L60-2020	2,123	
National School Lunch Program	10.555	102587-3L60-2021	398,138	\$67,857
COVID-19 National School Lunch Program	10.555	102587-3L60-2021	106,534	
Total Child Nutrition Cluster			<u>661,866</u>	<u>67,857</u>
Total U.S. Department of Agriculture			<u>661,866</u>	<u>67,857</u>
U.S. DEPARTMENT OF THE TREASURY				
<i>Passed Through Ohio Department of Education</i>				
COVID-19 Coronavirus Relief Fund	21.019	102587-5CV1-2021	119,201	
COVID-19 Coronavirus Relief Fund	21.019	102587-5CV1-2022	3,267	
Total COVID-19 Coronavirus Relief Fund			<u>122,468</u>	
<i>Passed Through Summit County, Ohio</i>				
COVID-19 Coronavirus Relief Fund	21.019	Not Available	227,071	
Total U.S. Department of the Treasury			<u>349,539</u>	
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	102587-3M00-2019	479	
Title I Grants to Local Educational Agencies	84.010	102587-3M00-2020	9,338	
Title I Grants to Local Educational Agencies	84.010	102587-3M00-2020	99,036	
Title I Grants to Local Educational Agencies	84.010	102587-3M00-2021	412,454	
Total Title I Grants to Local Educational Agencies			<u>521,307</u>	
Special Education Grants to States	84.027	102587-3M20-2020	87,795	
Special Education Grants to States	84.027	102587-3M20-2021	514,532	
Special Education Preschool Grants	84.173	102587-3C50-2021	10,962	
Total Special Education Cluster			<u>613,289</u>	
Supporting Effective Instruction State Grants	84.367	102587-3Y60-2020	9,511	
Supporting Effective Instruction State Grants	84.367	102587-3Y60-2021	880	
Total Supporting Effective Instruction State Grants			<u>10,391</u>	
Student Support and Academic Enrichment Program	84.424	102587-3HI0-2020	23,142	
Student Support and Academic Enrichment Program	84.424	102587-3HI0-2021	19,305	
Total Student Support and Academic Enrichment Program			<u>42,447</u>	
COVID-19 Education Stabilization Fund	84.425D	102587-3HS0-2021	290,802	
Total U.S. Department of Education			<u>1,478,236</u>	
Total Expenditures of Federal Awards			<u>\$2,489,641</u>	<u>\$67,857</u>

The accompanying notes are an integral part of this schedule.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Springfield Local School District (the District) under programs of the federal government for the year ended June 30, 2021. 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 entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2021 to 2022 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$140,704
Special Education Grants to States	84.027	89,301
Supporting Effective Instruction State Grants	84.367	182,634
Student Support and Academic Enrichment Program	84.424	50,191
COVID-19 Education Stabilization Fund	84.425D	100,266

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

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

Springfield Local School District
Summit County
2410 Massillon Rd
Akron, Ohio 44312

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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield Local School District, Summit County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 11, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

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 a 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. We consider findings 2021-001 and 2021-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2021-002 and 2021-005 described in the accompanying schedule of findings to be significant deficiencies.

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 financial statement. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2021-001 through 2021-003.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

October 11, 2022



**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**

Springfield Local School District
Summit County
2410 Massillon Road
Akron, Ohio 44312

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Springfield 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 Springfield Local School District's major federal program for the year ended June 30, 2021. 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, Springfield 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, 2021.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

October 11, 2022

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2021-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 3315.20 provides a school district may have a deficit in any special fund of the district only if all of the following conditions are satisfied:

- The district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that the payment will be made; and
- The unspent and unencumbered balance in the district's general fund is greater than the aggregate of deficit amounts in all of the district's special funds.

The District's fiscal year 2021 accounting records documented the following month-end and year-end negative fund balances after taking into consideration the conditions above:

- General Fund # 001 - (\$2,814,219) as of June 30, 2021;
- Building Fund # 004 - (\$184,161) as of October 31, 2020;
- Food Services Fund # 006 - (\$281,863) as of October 31, 2020, (\$322,708) as of March 31, 2021 and (\$158,624) as of June 30, 2021;
- Uniform School Supplies Fund # 009 - (\$183) as of October 31, 2020, (\$183) as of March 31, 2021 and (\$183) as of June 30, 2021;
- Public School Preschool Fund # 439 - (\$18,147) as of October 31, 2020, (\$8,104) as of March 31, 2021 and (\$8,104) as of June 30, 2021;
- Elementary/Secondary School Relief Fund # 507 - (\$45,057) as of March 31, 2021 and (\$22,554) as of June 30, 2021;
- Coronavirus Relief Fund # 510 - (\$78) as of October 31, 2020, (\$1,570) as of March 31, 2021 and (\$3,267) as of June 30, 2021;
- IDEA Part B Special Education Fund # 516 - (\$146,632) as of October 31, 2020, (\$65,940) as of March 31, 2021 and (\$151,767) as of June 30, 2021;
- Title I - Improvement Stimulus A Fund # 536 - (\$12,830) as of October 31, 2020;
- Title I Fund # 572 - (\$152,346) as of October 31, 2020, (\$49,626) as of March 31, 2021 and (\$171,710) as of June 30, 2021;
- IDEA Preschool Grant Fund #587 - (\$13) as of October 31, 2020, (\$3,316) as of March 31, 2021 and (\$1,545) as of June 30, 2021;
- Improving Teacher Quality Fund # 590 - (\$21,406) as of October 31, 2020 and (\$18,914) as of March 31, 2021;
- Miscellaneous State Grants Fund # 599 - (\$32,523) as of October 31, 2020, (\$4,046) as of March 31, 2021 and (\$22,943) as of June 30, 2021.

Advances or transfers should be made to these funds or appropriations modified to prevent the negative cash balances in contravention of Ohio Rev. Code § 3315.20. The District should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

Official's Response: See corrective action plan.

FINDING NUMBER 2021-002

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At June 30, 2021, the District's appropriations exceeded the amount certified as available by the budget commission in the general fund by \$1,199,994.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the District's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The District should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the District should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Education to reduce the appropriations.

Official's Response: See corrective action plan.

FINDING NUMBER 2021-003

NONCOMPLIANCE

Ohio Rev. Code § 117.38(A) provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Rev. Code § 117.38(B) provides the report shall be certified by the proper office or board and filed with the Auditor of State within sixty days after the close of fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, provides all school districts shall file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund balances/net position, and disclosures that, while presumed material, cannot be determined at this time. In addition, the fiscal year 2021 cash basis report was required to be filed on August 30, 2021; however, it was not filed until May 23, 2022.

FINDING NUMBER 2021-003 (Continued)

Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to GAAP and filed before the required date.

Official's Response: See corrective action plan.

FINDING NUMBER 2021-004

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The District did not have policies and procedures in place for certain financial statement accounts, which led to the following proposed reclassifications and adjustments to the financial statements:

- The financial statements reported \$222,345 and \$742,954 of instruction - other and support services - pupils disbursements, respectively, as support services - operation and maintenance of plant disbursements in governmental activities and other governmental funds. The financial statements were updated to reflect this reclassification.
- Homestead and rollback receipts in the amount of \$19,670 were reported as property and other local taxes rather than intergovernmental receipts in the major classroom facilities and maintenance fund. The financial statements were updated to reflect this reclassification.
- A memorandum receipt in the amount of \$88,475 was used to allocate property and other local taxes from the major general fund to the major debt service fund rather than utilizing a transfer in and out. As a result, property and other local taxes and transfers out were understated by \$88,475 in the major general fund, property and other local taxes were overstated by \$88,475 in the major debt service fund and transfers in were understated by \$88,475 in the major debt service fund. The financial statements were not updated to reflect this reclassification.
- The District reported cash and cash equivalents with fiscal agent in the amount of \$292,529 in other governmental funds. The amount represents monies deposited with Key Government Finance for the 2019 bus transportation depot lease. During fiscal year 2021, Key Government Finance made an interest payment in the amount of \$31,731 on the District's behalf from amount deposited with Key Government Finance; however, the interest payment was not recorded by the District. As a result, interest and fiscal charges was understated and cash and cash equivalents with fiscal agent was overstated by \$31,731 in other governmental funds. The financial statements were not updated to reflect this adjustment.

To help ensure the District's financial statements are complete and accurate, the District should adopt policies and procedures to identify and correct errors and omissions. In addition, the District should review the financial statements and notes prior to submission for audit.

Official's Response: See corrective action plan.

FINDING NUMBER 2021-005

SIGNIFICANT DEFICIENCY

The Continuing Disclosure Agreements included in the Official Statements for the School Facilities Improvement Bonds, Series 2010B and Series 2010C document the District has agreed, for the benefit of the holders and beneficial owners from time to time of the Bonds, in accordance with, and as the only obligated person with respect to the Bonds, under SEC Rule 15c2-12 (the Rule), to provide or cause to be provided such financial information and operating data (Annual Information), audited financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5)(i) of the Rule (the Continuing Disclosure Agreement), including specifically the following:

- To the Municipal Securities Rulemaking Board (MSRB), through the MSRB's Electronic Municipal Market Access System (EMMA), the following:
 - Annual Information for each District fiscal year ending on or after June 30, 2011, not later than the 270th day following the end of each fiscal year;
 - Audited District financial statements for fiscal years 2010 and each subsequent fiscal year;
 - In a timely manner, notice of the District's failure to provide Annual Information within the time specified above;
 - In a timely manner, notice of any change in the accounting principles applied in the preparation of its annual financial statements.

The District did not provide the following to the MSRB:

- Annual Information for fiscal years 2019 through 2021;
- Audited financial statements for fiscal years 2010 through 2014 and 2016 through 2020;
- Notice of the District's failure to provide Annual Information for fiscal years 2019 through 2021;
- Notice of change in accounting principle for fiscal year 2021 (the District changed from reporting on a Generally Accepted Accounting Principles (GAAP) basis to a cash basis for fiscal year 2021).

The District did not amend the Continuing Disclosure Agreement to exclude these provisions and did not obtain a waiver of noncompliance. The District did not have policies or procedures in place to ensure compliance with the Continuing Disclosure Agreement. The holders and beneficial owners may require the District to provide the Annual Information, audited financial statements and notices.

The District should provide required Annual Information, audited financial statements and applicable notices to the MSRB on a timely basis.

Official's Response: See corrective action plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Springfield Local Schools

BOARD OF EDUCATION

2410 Massilon Road - Akron, OH 44312 - 330.798.1111 - Fax: 330.798.1161

www.springfieldspartans.org

Shelley Monachino
SUPERINTENDENT

Christopher Adams
TREASURER

Dustin Boswell
BUSINESS MANAGER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Ohio Rev. Code § 3315.20 - Deficit Fund Balances	Not Corrected	The District is in Fiscal Caution. The general fund had a deficit fund balance at year-end. Therefore, the District could not advance general fund monies to other funds with deficits.
2020-002	Ohio Rev. Code § 3318.12(B)(1), 5705.15 and 5705.16 - Improper Transfer	Corrective Action Taken and Finding is Fully Corrected	N/A

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Springfield Local Schools

BOARD OF EDUCATION



Christina Ziga-Budd
DIRECTOR OF
STUDENT SERVICES

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TREASURER

Shelley Monachino
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BUSINESS MANAGER

Mary Meadows
DIRECTOR OF CURRICULUM
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2410 Massillon Road - Akron, OH 44312 P: 330-798-1111 F: 330-798-1161 www.springfieldspartans.org

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2021

- | | |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Finding Number: | 2021-001 |
| Planned Corrective Action: | The Treasurer's office will monitor negative balances for non-grant funds and make an advance in to maintain positive fund balances. The following month an advance out will occur. |
| Anticipated Completion Date: | October 11, 2022 |
| Responsible Contact Person: | Christopher Adams, Treasurer |
| | |
| Finding Number: | 2021-002 |
| Planned Corrective Action: | The Treasurer's office will monitor appropriations verses estimated revenue. |
| Anticipated Completion Date: | October 11, 2022 |
| Responsible Contact Person: | Christopher Adams, Treasurer |
| | |
| Finding Number: | 2021-003 |
| Planned Corrective Action: | No corrective action will be taken. The District will continue to file non-GAAP financial statements as a cost savings measure. |
| Anticipated Completion Date: | October 11, 2022 |
| Responsible Contact Person: | Christopher Adams, Treasurer |
| | |
| Finding Number: | 2021-004 |
| Planned Corrective Action: | The Treasurer's office will review financial statements and accounting records for errors prior to submission of the financial statements. |
| Anticipated Completion Date: | October 11, 2022 |
| Responsible Contact Person: | Christopher Adams, Treasurer |
| | |
| Finding Number: | 2021-005 |
| Planned Corrective Action: | The Treasurer's office contacted the District's bond counsel and worked with bond counsel to ensure required disclosures were made. The Treasurer's office will continue to monitor required disclosures. |
| Anticipated Completion Date: | October 11, 2022 |
| Responsible Contact Person: | Christopher Adams, Treasurer |

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OHIO AUDITOR OF STATE KEITH FABER



SPRINGFIELD LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/10/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov