



Dave Yost • Auditor of State



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Springfield Local School District, Stark County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this 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 February 5, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

February 5, 2016

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**Springfield Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
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The discussion and analysis of the Springfield Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2015 are as follows:

- Net position increased \$2,244,844 million which represents an 11 percent increase from 2014.
- Capital assets increased \$1,146,084 during fiscal year 2015.
- During the fiscal year, outstanding debt decreased from \$33,301,637 to \$32,401,965 due to principal payments made by the School District.
- The School District implemented GASB 68, which reduced beginning net position as previously reported by \$37,047,837.
- Total revenues increased \$94,396 from 2014, while total expenses decreased \$2,141,398 from 2014.

***Using this Annual Report***

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

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

***Reporting the School District as a Whole***

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

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

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These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non instructional services, i.e., food service operations.

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

***Fund Financial Statements***

The major funds financial statements begin on page 18. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 23.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 26 and 27. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

**Table 1**  
**Net Position**

	Governmental Activities	
	2015	Restated 2014
<b>Assets</b>		
Current and Other Assets	\$ 26,725,714	\$ 30,065,782
Capital Assets	41,384,945	40,238,861
<i>Total Assets</i>	<u>68,110,659</u>	<u>70,304,643</u>
<b>Deferred Outflows of Resources</b>		
Pension	2,502,328	2,025,285
<b>Liabilities</b>		
Other Liabilities	5,718,760	7,596,646
Long-Term Liabilities		
Due Within One Year	878,685	957,757
Due in More Than One Year		
Net Pension Liability	32,882,243	39,073,122
Other Amounts	32,795,224	33,578,993
<i>Total Liabilities</i>	<u>72,274,912</u>	<u>81,206,518</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes and Other	10,608,650	11,587,489
Pension	5,948,660	0
<i>Total Deferred Inflows of Resources</i>	<u>16,557,310</u>	<u>11,587,489</u>
<b>Net Position</b>		
Net Investment in Capital Assets	8,110,964	4,127,317
Restricted	4,162,271	6,330,609
Unrestricted	(30,492,470)	(30,922,005)
<i>Total Net Position</i>	<u>\$ (18,219,235)</u>	<u>\$ (20,464,079)</u>

During 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$16,583,758 to \$(20,464,079).

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At year end, capital assets represented 61 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Net investment in capital assets was \$8,110,964 at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$4,162,271 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$30,492,470.

There was a \$3,340,068 decrease in current and other assets from fiscal year 2014. This was primarily caused by a decrease in cash and investments as cash was used to pay the final invoices for the construction of the new school building. There was also a \$303,908 decrease in intergovernmental receivable that was caused by the completion of the Ohio Facilities Construction Commission grant, reductions in the receivables for federal food reimbursements and excess costs.

There was an \$8,931,606 decrease in total liabilities. This was partially caused by a \$6,190,879 decrease in net pension liability. There was also a \$1,862,382 decrease in contracts payable and retainage payable as final payments were made on the new school building that was completed in fiscal year 2014.

Deferred inflows for pension increased \$5,948,660 due to the implementation of GASB 68. The decrease in deferred inflows related to property taxes is partially caused by an almost \$600,000 increase in the amount available for advance, as this varies from year to year.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2015	2014
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 3,161,093	\$ 2,884,686
Operating Grants, Contributions and Interest	3,607,178	3,494,904
Capital Grants, Contributions and Interest	0	4,533
<i>Total Program Revenues</i>	<u>6,768,271</u>	<u>6,384,123</u>
<i>General Revenues:</i>		
Property Taxes	13,828,944	14,945,632
Grants and Entitlements Not Restricted	12,528,393	12,930,701
Other	1,423,400	194,156
<i>Total General Revenues</i>	<u>27,780,737</u>	<u>28,070,489</u>
<i>Total Revenues</i>	<u>34,549,008</u>	<u>34,454,612</u>
<b>Program Expenses</b>		
Instruction:		
Regular	12,587,640	12,207,235
Special	3,558,944	3,348,904
Vocational	277,393	276,177
Other	2,230,805	2,639,488
Support Services:		
Pupils	1,291,301	1,266,163
Instructional Staff	1,427,592	1,270,400
Board of Education	30,419	39,370
Administration	2,019,738	2,090,246
Fiscal	562,642	767,545
Business	192,817	140,422
Operation and Maintenance of Plant	2,953,493	5,314,002
Pupil Transportation	1,395,400	1,497,413
Central	62,585	75,449
Operation of Non-Instructional Services:		
Food Service Operations	944,498	910,764
Community Services	135,873	0
Extracurricular Activities	816,719	758,066
Debt Service:		
Interest and Fiscal Charges	1,816,305	1,843,918
<i>Total Expenses</i>	<u>32,304,164</u>	<u>34,445,562</u>
<i>Increase in Net Position</i>	<u>\$ 2,244,844</u>	<u>\$ 9,050</u>

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,025,285 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,473,125. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$	32,304,164
Pension expense under GASB 68		(1,473,125)
2015 contractually required contribution		2,192,387
Adjusted 2015 program expenses		33,023,426
Total 2014 program expenses under GASB 27		34,445,562
Decrease in program expenses not related to pension	\$	(1,422,136)

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

There was a \$1,116,688 decrease in property taxes for the School District as well as a \$1,229,244 increase in other revenues due to the settlement of a lawsuit.

There was a \$2,360,509 decrease in operation and maintenance of plant expenses during fiscal year 2015 due to repairs made to the new school building during fiscal year 2014.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
<b>Instruction:</b>				
Regular	\$ 12,587,640	\$ 12,207,235	\$ 10,050,569	\$ 9,811,164
Special	3,558,944	3,348,904	910,271	734,166
Vocational	277,393	276,177	244,328	153,416
Other	2,230,805	2,639,488	2,230,805	2,639,488
<b>Support Services:</b>				
Pupils	1,291,301	1,266,163	1,291,301	1,265,755
Instructional Staff	1,427,592	1,270,400	1,410,831	1,253,641
Board of Education	30,419	39,370	30,419	39,370
Administration	2,019,738	2,090,246	1,990,389	2,058,589
Fiscal	562,642	767,545	562,642	767,545
Business	192,817	140,422	192,817	140,422
Operation and Maintenance of Plant	2,953,493	5,314,002	2,929,474	5,285,346
Pupil Transportation	1,395,400	1,497,413	1,264,672	1,497,413
Central	62,585	75,449	62,585	75,449
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	944,498	910,764	42,860	2,271
Community Services	135,873	0	916	0
Extracurricular Activities	816,719	758,066	504,709	493,483
<b>Debt Service:</b>				
Interest and Fiscal Charges	1,816,305	1,843,918	1,816,305	1,843,918
<i>Total Expenses</i>	<u>\$ 32,304,164</u>	<u>\$ 34,445,562</u>	<u>\$ 25,535,893</u>	<u>\$ 28,061,436</u>

The dependence upon general revenues for governmental activities is apparent. Over 79 percent of governmental activities are supported through taxes and other general revenues; such revenues are over 80 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

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***Governmental Funds***

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$34,606,692 and expenditures of \$34,879,480 for fiscal year 2015.

The general fund's net change in fund balance for fiscal year 2015 was a decrease of \$124,109.

The fund balance of the debt service fund increased by \$69,631.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2015, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual budget basis revenue of \$26,726,157 was \$2,197 higher than the final budget basis revenue of \$26,723,960.

Final expenditure appropriations of \$26,974,688 were \$603,876 higher than the actual expenditures of \$26,370,812. Most of this difference is due to the overestimation of administration, fiscal and pupil transportation expenses.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2015, the School District had \$41,384,945 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 572,510	\$ 572,510
Land Improvements	44,286	50,418
Buildings and Improvements	38,679,417	37,621,169
Furniture and Fixtures	2,047,910	1,969,953
Vehicles	40,822	24,811
<i>Totals</i>	\$ 41,384,945	\$ 40,238,861

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The \$1,146,084 increase in capital assets was attributable to increases in construction costs outpacing current year depreciation expense and disposals. See Note 9 for more information about the capital assets of the School District.

**Debt**

At June 30, 2015, the School District had \$32,401,965 in loans and bonds outstanding. See Note 15 for additional details. Table 5 summarizes debt outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2015	2014
Energy Conservation Note	\$ 0	\$ 94,127
School Facilities Improvement Bonds	460,000	1,205,000
School Facilities Improvement Bonds (BAB)	20,200,000	20,200,000
School Facilities Improvement Bonds (QSCB)	11,260,000	11,260,000
Unamortized Premium	354,897	366,345
Loan Payable	127,068	176,165
<i>Total</i>	<u>\$ 32,401,965</u>	<u>\$ 33,301,637</u>

***Current Issues***

The Springfield Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the School District was in March 2000. A bond levy was passed in August 2010 for the construction of a new 7 through 12 campus. We have 5 renewal levies that are for 5 years each. We have had success in passing these renewals and anticipate placing them on the ballot.

Real estate tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40 percent of revenues for governmental activities for the School District in fiscal year 2015.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our School District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

**Springfield Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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The Springfield Local School District has not anticipated any meaningful growth in State revenue. Quite the opposite has recently occurred under the leadership in Ohio. Reductions in school funding will result in uncertainties in the coming years. The concern is that if this trend continues, a significant shift to local taxpayers will result.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

The good news is that after years of stringent fiscal control, the School District was released from fiscal emergency as of November 22, 2011.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Chris Adams, Treasurer of Springfield Local School District, 2410 Massillon Road, Akron, Ohio 44312.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Net Position*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 11,408,614
Cash and Cash Equivalents with Fiscal Agent	193,655
Receivables:	
Intergovernmental	965,856
Property Taxes	14,157,589
Nondepreciable Capital Assets	572,510
Depreciable Capital Assets (Net)	40,812,435
<i>Total Assets</i>	68,110,659
 <b>Deferred Outflows of Resources</b>	
Pension	2,502,328
 <b>Liabilities</b>	
Accounts Payable	14,301
Accrued Wages and Benefits	3,025,949
Contracts Payable	728,986
Intergovernmental Payable	799,528
Retainage Payable	193,955
Accrued Vacation Leave Payable	168,609
Matured Compensated Absences Payable	49,860
Accrued Interest Payable	452,741
Claims Payable	284,831
Long Term Liabilities:	
Due Within One Year	878,685
Due In More Than One Year:	
Net Pension Liability (See Note 12)	32,882,243
Other Amonts Due in More Than One Year	32,795,224
<i>Total Liabilities</i>	72,274,912
 <b>Deferred Inflows of Resources</b>	
Property Taxes Levied for the Next Year	10,608,650
Pension	5,948,660
<i>Total Deferred Inflows of Resources</i>	16,557,310
 <b>Net Position</b>	
Net Investment in Capital Assets	8,110,964
Restricted For:	
Capital Outlay	2,512,025
Debt Service	655,071
Other Purposes	995,175
Unrestricted	(30,492,470)
<i>Total Net Position</i>	\$ (18,219,235)

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 12,587,640	\$ 2,417,938	\$ 119,133	\$ (10,050,569)
Special	3,558,944	290,963	2,357,710	(910,271)
Vocational	277,393	0	33,065	(244,328)
Other	2,230,805	0	0	(2,230,805)
Support Services:				
Pupils	1,291,301	0	0	(1,291,301)
Instructional Staff	1,427,592	0	16,761	(1,410,831)
Board of Education	30,419	0	0	(30,419)
Administration	2,019,738	0	29,349	(1,990,389)
Fiscal	562,642	0	0	(562,642)
Business	192,817	0	0	(192,817)
Operation and Maintenance of Plant	2,953,493	0	24,019	(2,929,474)
Pupil Transportation	1,395,400	0	130,728	(1,264,672)
Central	62,585	0	0	(62,585)
Operation of Non-Instructional Services:				
Food Service Operations	944,498	196,601	705,037	(42,860)
Community Services	135,873	0	134,957	(916)
Extracurricular Activities	816,719	255,591	56,419	(504,709)
Interest and Fiscal Charges	1,816,305	0	0	(1,816,305)
<b>Total</b>	<b>\$ 32,304,164</b>	<b>\$ 3,161,093</b>	<b>\$ 3,607,178</b>	<b>(25,535,893)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	10,971,141
Debt Service	2,443,490
Capital Outlay	248,533
Other Purposes	165,780
Grants and Entitlements Not Restricted to Specific Programs	12,528,393
Investment Earnings	51,885
Miscellaneous	1,371,515
<b>Total General Revenues</b>	<b>27,780,737</b>

*Change in Net Position*

2,244,844

*Net Position Beginning of Year (See Note 2R)*

(20,464,079)

*Net Position End of Year*

\$ (18,219,235)

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 7,236,763	\$ 510,601	\$ 3,143,000	\$ 10,890,364
Cash and Cash Equivalents with Fiscal Agent	0	0	193,655	193,655
Receivables:				
Interfund	5,536	0	0	5,536
Intergovernmental	630,202	0	335,654	965,856
Property Taxes	11,384,083	2,352,386	421,120	14,157,589
<i>Total Assets</i>	<u>\$ 19,256,584</u>	<u>\$ 2,862,987</u>	<u>\$ 4,093,429</u>	<u>\$ 26,213,000</u>
<b>Liabilities</b>				
Accounts Payable	\$ 14,202	\$ 0	\$ 99	\$ 14,301
Accrued Wages and Benefits	2,738,297	0	287,652	3,025,949
Contracts Payable	0	0	728,986	728,986
Intergovernmental Payable	772,650	0	26,878	799,528
Retainage Payable	0	0	193,955	193,955
Matured Compensated Absences Payable	24,930	0	24,930	49,860
Interfund Payable	0	0	5,536	5,536
<i>Total Liabilities</i>	<u>3,550,079</u>	<u>0</u>	<u>1,268,036</u>	<u>4,818,115</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	8,532,375	1,755,175	321,100	10,608,650
Unavailable Revenue	1,179,902	203,848	123,950	1,507,700
<i>Total Deferred Inflows of Resources</i>	<u>9,712,277</u>	<u>1,959,023</u>	<u>445,050</u>	<u>12,116,350</u>
<b>Fund Balances</b>				
Restricted	0	903,964	2,511,612	3,415,576
Assigned	121,347	0	0	121,347
Unassigned	5,872,881	0	(131,269)	5,741,612
<i>Total Fund Balances</i>	<u>5,994,228</u>	<u>903,964</u>	<u>2,380,343</u>	<u>9,278,535</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 19,256,584</u>	<u>\$ 2,862,987</u>	<u>\$ 4,093,429</u>	<u>\$ 26,213,000</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*  
*June 30, 2015*

<b>Total Governmental Fund Balances</b>		\$ 9,278,535
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		41,384,945
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 88,361	
Excess Costs	188,811	
Property Taxes	1,230,528	1,507,700
 An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		233,419
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		
		(452,741)
 The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	2,502,328	
Deferred Inflows - Pension	(5,948,660)	
Net Pension Liability	(32,882,243)	(36,328,575)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
School Facilities Improvement Bonds	(460,000)	
OFCC Build America Bonds	(20,200,000)	
OFCC Qualified School Construction Bonds	(11,260,000)	
Loan Payable	(127,068)	
Bond Premium	(354,897)	
Vacations Payable	(168,609)	
Compensated Absences	(1,271,944)	(33,842,518)
 <i>Net Position of Governmental Activities</i>		 \$ (18,219,235)

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 10,956,395	\$ 2,416,577	\$ 407,362	\$ 13,780,334
Intergovernmental	13,639,473	342,343	2,435,124	16,416,940
Investment Income	51,203	0	682	51,885
Tuition and Fees	2,463,875	0	0	2,463,875
Extracurricular Activities	112,206	0	142,120	254,326
Rentals	57,480	0	0	57,480
Charges for Services	0	0	196,602	196,602
Contributions and Donations	13,734	0	0	13,734
Miscellaneous	21,006	0	1,350,510	1,371,516
<i>Total Revenues</i>	<u>27,315,372</u>	<u>2,758,920</u>	<u>4,532,400</u>	<u>34,606,692</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,680,484	0	232,960	11,913,444
Special	2,467,633	0	1,126,700	3,594,333
Vocational	283,567	0	0	283,567
Other	2,230,805	0	0	2,230,805
Support Services:				
Pupils	1,331,551	0	0	1,331,551
Instructional Staff	1,366,527	0	79,583	1,446,110
Board of Education	30,575	0	0	30,575
Administration	2,028,701	0	30,131	2,058,832
Fiscal	566,272	0	0	566,272
Business	215,177	0	0	215,177
Operation and Maintenance of Plant	2,222,111	0	3,438	2,225,549
Pupil Transportation	1,390,253	0	0	1,390,253
Central	62,585	0	0	62,585
Extracurricular Activities	623,219	0	154,101	777,320
Operation of Non-Instructional Services:				
Food Service Operations	0	0	958,994	958,994
Community Services	0	0	135,873	135,873
Capital Outlay	36,259	28,968	2,851,988	2,917,215
Debt Service:				
Principal Retirement	24,584	839,127	49,097	912,808
Interest and Fiscal Charges	870	1,821,194	6,153	1,828,217
<i>Total Expenditures</i>	<u>26,561,173</u>	<u>2,689,289</u>	<u>5,629,018</u>	<u>34,879,480</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>754,199</u>	<u>69,631</u>	<u>(1,096,618)</u>	<u>(272,788)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	875,838	875,838
Transfers Out	(878,308)	0	0	(878,308)
<i>Total Other Financing Sources (Uses)</i>	<u>(878,308)</u>	<u>0</u>	<u>875,838</u>	<u>(2,470)</u>
<i>Net Change in Fund Balance</i>	(124,109)	69,631	(220,780)	(275,258)
<i>Fund Balances Beginning of Year</i>	<u>6,118,337</u>	<u>834,333</u>	<u>2,601,123</u>	<u>9,553,793</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,994,228</u>	<u>\$ 903,964</u>	<u>\$ 2,380,343</u>	<u>\$ 9,278,535</u>

See accompanying notes to the basic financial statements.

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		\$ (275,258)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 2,278,888	
Current Year Depreciation	<u>(1,132,804)</u>	1,146,084
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	223,607	
Excess Costs	13,814	
Intergovernmental	<u>(295,105)</u>	(57,684)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bond and Note Principal	839,127	
Loan Principal	49,097	
Capital Leases	<u>24,584</u>	912,808
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,192,387
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,473,125)
In the statement of activities, interest is accrued on outstanding debt, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	464	
Amortization of Premium on Bonds	<u>11,448</u>	11,912
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(168,247)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(61,415)	
Vacations Payable	<u>17,382</u>	<u>(44,033)</u>
<i>Change in Net Position of Governmental Activities</i>		<u>\$ 2,244,844</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 10,344,926	\$ 10,458,379	\$ 10,458,523	\$ 144
Intergovernmental	13,179,864	13,665,984	13,665,873	(111)
Investment Income	8,314	56,388	56,517	129
Tuition and Fees	2,414,571	2,467,476	2,467,510	34
Rentals	63,285	55,979	57,480	1,501
Miscellaneous	0	19,754	20,254	500
<i>Total Revenues</i>	<u>26,010,960</u>	<u>26,723,960</u>	<u>26,726,157</u>	<u>2,197</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,507,546	11,496,073	11,583,330	(87,257)
Special	2,550,405	2,551,704	2,459,534	92,170
Vocational	287,913	287,913	281,001	6,912
Other	2,345,479	2,345,479	2,298,434	47,045
Support Services:				
Pupils	1,337,300	1,339,800	1,302,278	37,522
Instructional Staff	1,307,497	1,309,497	1,377,867	(68,370)
Board of Education	40,452	40,452	31,472	8,980
Administration	2,297,374	2,300,048	2,037,023	263,025
Fiscal	796,905	796,905	565,525	231,380
Business	145,385	148,385	213,723	(65,338)
Operation and Maintenance of Plant	2,247,122	2,247,122	2,260,196	(13,074)
Pupil Transportation	1,533,825	1,533,825	1,384,518	149,307
Central	76,958	76,958	62,585	14,373
Extracurricular Activities	467,075	467,075	485,626	(18,551)
Capital Outlay	33,452	33,452	27,700	5,752
<i>Total Expenditures</i>	<u>26,974,688</u>	<u>26,974,688</u>	<u>26,370,812</u>	<u>603,876</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(963,728)</u>	<u>(250,728)</u>	<u>355,345</u>	<u>606,073</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Receipts	(4,132)	(4,132)	0	4,132
Transfers Out	(800,000)	(800,000)	(878,308)	(78,308)
<i>Total Other Financing Sources (Uses)</i>	<u>(804,132)</u>	<u>(804,132)</u>	<u>(878,308)</u>	<u>(74,176)</u>
<i>Net Change in Fund Balance</i>	(1,767,860)	(1,054,860)	(522,963)	531,897
<i>Fund Balance Beginning of Year</i>	7,601,979	7,601,979	7,601,979	0
Prior Year Encumbrances Appropriated	48,049	48,049	48,049	0
<i>Fund Balance End of Year</i>	<u>\$ 5,882,168</u>	<u>\$ 6,595,168</u>	<u>\$ 7,127,065</u>	<u>\$ 531,897</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*June 30, 2015*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	<u>\$          518,250</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	<u>                  284,831</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$          233,419</u></u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2015*

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenues</b>	
Charges for Services	\$ 3,957,295
Other	<u>2,600</u>
<i>Total Operating Revenues</i>	<u>3,959,895</u>
<b>Operating Expenses</b>	
Purchased Services	684,402
Claims	<u>3,446,210</u>
<i>Total Operating Expenses</i>	<u>4,130,612</u>
<i>Operating Loss</i>	<u>(170,717)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Transfers In	<u>2,470</u>
<i>Change in Net Position</i>	(168,247)
<i>Net Position Beginning of Year</i>	<u>401,666</u>
<i>Net Position End of Year</i>	<u>\$ 233,419</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2015

	<u>Governmental Activities - Internal Service Fund</u>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Internal Services Provided	\$ 3,957,295
Other Cash Receipts	2,600
Cash Paid for Goods and Services	(684,402)
Cash Paid for Claims	(3,544,379)
<i>Net Cash Used For Operating Activities</i>	<u>(268,886)</u>
 <b>Cash Flows From Non-Capital Financing Activities</b>	
Transfers from Other Funds	<u>2,470</u>
 <i>Net Decrease in Cash and Investments</i>	(266,416)
 <i>Cash and Investments, Beginning of Year</i>	<u>784,666</u>
 <i>Cash and Investments, End of Year</i>	<u><u>\$ 518,250</u></u>
 <b>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</b>	
Operating Loss	\$ (170,717)
Adjustment:	
Decrease in Claims Payable	(98,169)
<i>Net Cash Used For Operating Activities</i>	<u><u>\$ (268,886)</u></u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 4,548	\$ 55,016
<b>Liabilities</b>		
Undistributed Monies	0	\$ 6,774
Due to Students	0	48,242
<i>Total Liabilities</i>	0	\$ 55,016
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 4,548	

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
**Summit County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2015*

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	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	\$ 3,525
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	3,500
<i>Change in Net Position</i>	25
<i>Net Position Beginning of Year</i>	4,523
<i>Net Position End of Year</i>	<u>\$ 4,548</u>

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, 2015*

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**Note 1 - Description of the School District**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies.

The School District is located in both Summit and Portage counties in northeastern Ohio. The School District operates one kindergarten center, three elementary schools (1-4), an intermediate school (5-6), one middle school (7-8) and a high school (9-12).

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements of the School District are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For 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 entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their 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 17 to the basic financial statements.

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

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

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**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" revenues and expenses.

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

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

**B. Fund Accounting**

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

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

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**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.

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

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** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following is the School District's proprietary fund:

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

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

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position.

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

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Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

Private purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

***D. Basis of Accounting***

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

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12).

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the Statement of Activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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

***E. Cash and Investments***

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 School District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the Balance Sheet.

During fiscal year 2015, investments were limited to U.S Treasury and agency securities, money market accounts and repurchase agreements.

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.

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Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest (including fair market value adjustments for investments). Interest revenue credited to the general fund during fiscal year 2015 amounted to \$51,203 which includes \$12,819 assigned from other School District funds.

The First Merit Bank acts as a fiscal agent for the School District. The bank holds money as retainage payable until the School District's projects are completed.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 Years
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	13 Years
Textbooks	5 Years

***G. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

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***H. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

***I. Pensions***

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

***J. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

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***K. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***L. 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 loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

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

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

***M. Operating Revenues and Expenses***

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

***N. Interfund Activity***

Transfers between governmental activities on the government-wide statements are eliminated.

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

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

***P. Estimates***

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

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***Q. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Alternate Tax Budget, the Certificate of Estimated Resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The Certificate of Estimated Resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control for all funds was at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the School District receives the official Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015.

***Appropriations*** A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**Springfield Local School District**  
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***R. Implementation of New Accounting Principles***

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Net Position June 30, 2014	\$ 16,583,758
Adjustments:	
Net Pension Liability	(39,073,122)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>2,025,285</u>
Restated Net Position, July 1, 2014	<u>\$ (20,464,079)</u>

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

**Springfield Local School District**  
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**Note 3 – Fund Deficits**

Fund balances at June 30, 2015 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
Nonmajor Governmental Funds:	
Food Service	\$ 120,090
Title I	378
Preschool Handicapped	10,801

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and will provide transfers when cash is required, not when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. In order to determine compliance with Ohio law, and to assign that portion of the applicable appropriation, total outstanding encumbrances (budget) are recorded as the equivalent of an expenditure; and,
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets (budget).

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

GAAP Basis	\$	(124,109)
Net Adjustment for Revenue Accruals		(461,258)
Net Adjustment for Expenditure Accruals		82,895
Funds Budgeted Elsewhere**		8,812
Adjustment for Encumbrances		<u>(29,303)</u>
Budget Basis	<u>\$</u>	<u>(522,963)</u>

\*\*As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies, the public school support, community education, and recreation funds.

**Note 5 - 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 School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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Interim monies may 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 must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest 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 specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Cash and Cash Equivalents with Fiscal Agent** First Merit Bank acts as a fiscal agent for the School District. First Merit Bank held on account as of June 30, 2015, \$193,655. This money is being held as retainage payable and will be paid out to contractors upon completion of the School District's building projects.

**Cash on Hand** At year end, the School District had \$350 in undeposited cash on hand which is included on the Balance Sheet of the School District as part of equity in pooled cash and investments.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$3,723,855 and the bank balance was \$3,705,579.

1. \$250,000 was covered by federal depository insurance;
2. \$3,455,579 was uninsured and uncollateralized. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments**

Investments are reported at fair value. As of June 30, 2015, the School District had the following investments:

Rating by Moody	Entity	Fair Value	Investment Maturities			Percentage of Total Investment
			6 Months or Less	7 to 12 Months	More than 24 Months	
N/A	Repurchase Agreements	\$ 3,885,000	\$ 3,885,000	\$ 0	\$ 0	50.17%
Aaa	FNMA	2,236,691	0	0	2,236,691	28.88%
Aaa	FHLB	262,732	0	262,732	0	3.39%
Aaa	FFCB	1,097,930	500,086	0	597,844	14.18%
Aaa	FHLMC	250,099	0	0	250,099	3.23%
N/A	US Treasury Money Market	11,521	11,521	0	0	0.15%
		<u>\$ 7,743,973</u>	<u>\$ 4,396,607</u>	<u>\$ 262,732</u>	<u>\$ 3,084,634</u>	<u>100.00%</u>

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

**Credit Risk:** The School District has no investment policy that would further limit its investment choices.

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**Concentration of Credit Risk:** The School District places no limit on the amount the School District may invest in any one issuer. The investment percentages are listed above.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investments' counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent.

**Note 6 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 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 year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit and Portage Counties. The County Fiscal Officer and County Auditor 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, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 in the general, bond retirement, permanent improvement and classroom facilities maintenance funds was \$1,860,617, \$393,363, \$35,677, and \$28,754, respectively. The amount available for advance at June 30, 2014, in the general, bond retirement, permanent improvement and classroom facilities maintenance funds was \$1,362,745, \$311,541, \$25,462, and \$21,078, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 346,519,380	98.04%	\$ 358,522,190	98.02%
Public Utility Personal Property	6,906,630	1.96%	7,221,460	1.98%
	\$ 353,426,010	100.00%	\$ 365,743,650	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 56.88		\$ 55.92	

**Note 7 - Interfund Activity**

**A. Interfund Balances**

Interfund balances at June 30, 2015 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 5,536	\$ 0
Other Governmental:		
Food Services	0	5,536
Totals	\$ 5,536	\$ 5,536

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2015, all interfund loans outstanding are anticipated to be repaid in fiscal year 2016.

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***B. Interfund Transfers***

During the fiscal year, the general fund transferred \$875,838 to the building fund to record budget amendments to the School District's Ohio Facilities Construction Commission project. The general fund also transferred \$2,470 to the internal service fund to provide additional resources for current operations. Interfund transfers between governmental funds are eliminated in the statement of activities.

**Note 8 – Receivables**

Receivables at June 30, 2015 consisted of taxes, interfund, and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<i>Major Governmental Funds:</i>	<u>Amount</u>
General Fund:	
Excess Costs	\$ 404,923
Federal Interest Subsidy	<u>225,279</u>
<i>Total General Fund</i>	<u>630,202</u>
<i>Nonmajor Governmental Funds:</i>	
Food Service Grant	14,561
Race to the Top Grant	2,676
IDEA Part B Grant	124,986
Title II-A Grant	65,438
Early Childhood Special Ed Grant	6,788
Title I Grant	<u>121,205</u>
<i>Total nonmajor governmental funds</i>	<u>335,654</u>
Total intergovernmental receivables	<u><u>\$ 965,856</u></u>

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**Note 9 - Capital Assets**

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

	Balance 6/30/14	Additions	Reductions	Balance 6/30/15
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 572,510	\$ 0	\$ 0	\$ 572,510
<i>Capital Assets, being depreciated:</i>				
Land Improvements	797,537	0	0	797,537
Buildings and Improvements	47,249,297	2,111,273	0	49,360,570
Furniture and Equipment	4,357,728	146,465	0	4,504,193
Vehicles	202,785	21,150	(16,450)	207,485
Textbooks	865,423	0	0	865,423
Total Capital Assets, being depreciated	<u>53,472,770</u>	<u>2,278,888</u>	<u>(16,450)</u>	<u>55,735,208</u>
Less Accumulated Depreciation:				
Land Improvements	(747,119)	(6,132)	0	(753,251)
Buildings and Improvements	(9,628,128)	(1,053,025)	0	(10,681,153)
Furniture and Equipment	(2,387,775)	(68,508)	0	(2,456,283)
Vehicles	(177,974)	(5,139)	16,450	(166,663)
Textbooks	(865,423)	0	0	(865,423)
Total Accumulated Depreciation	<u>(13,806,419)</u>	<u>(1,132,804)</u>	<u>16,450</u>	<u>(14,922,773)</u>
Total Capital Assets being depreciated, net	<u>39,666,351</u>	<u>1,146,084</u>	<u>0</u>	<u>40,812,435</u>
Governmental Capital Assets, net	<u>\$ 40,238,861</u>	<u>\$ 1,146,084</u>	<u>\$ 0</u>	<u>\$ 41,384,945</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 942,428
Special	797
Vocational	80
Support Services:	
Pupil	25
Instructional Staff	1,525
Board of Education	213
Administration	861
Operation and Maintenance of Plant	134,703
Pupil Transportation	1,560
Food Service	4,710
Extracurricular Activities	<u>45,902</u>
Total Depreciation	<u>\$ 1,132,804</u>

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**Note 10 – 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.

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 \$20,000 each.

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

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2015, a total expense of \$4,130,612 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$284,831 reported in the fund at June 30, 2015 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

Changes in the fund's claims liability amount in 2015 and 2014 were:

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2014	\$ 359,000	\$ 3,093,375	\$ 3,069,375	\$ 383,000
2015	\$ 383,000	\$ 3,446,210	\$ 3,544,379	\$ 284,831

**Note 11 – Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service and hours worked. Vacation days are credited to non-certified employees on the anniversary of their employment with a maximum accrual based on length of service. Vacation may be accrued in excess of the maximum only with the approval of the superintendent and Board of Education. Teachers do not earn vacation time.

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Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited number of days. Payment is made of 30 percent of the total sick leave accumulation, up to a maximum accumulation of 60 days upon retirement for certified employees. Non-certified employees receive payment of 30 percent of sick leave up to a maximum of 60 days upon termination or ¼ of unused sick leave to a maximum of 45 days with 10 years of service upon termination.

**Note 12 – Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

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

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***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$534,521 for fiscal year 2015. Of this amount \$98,315 is reported as an intergovernmental payable.

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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 Web site at [www.strsoh.org](http://www.strsoh.org).

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

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

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

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

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

The School District's contractually required contribution to STRS was \$1,657,866 for fiscal year 2015. Of this amount \$281,556 is reported as an intergovernmental payable.

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

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

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 26,949,451	\$ 5,932,792	\$ 32,882,243
Proportion of the Net Pension Liability	0.11079612%	0.11722700%	
Pension Expense	\$ 1,064,881	\$ 408,244	\$ 1,473,125

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

	STRS	SERS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 259,447	\$ 50,494	\$ 309,941
School District contributions subsequent to the measurement date	1,657,866	534,521	2,192,387
Total Deferred Outflows of Resources	\$ 1,917,313	\$ 585,015	\$ 2,502,328
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 4,985,751	\$ 962,909	\$ 5,948,660

\$2,192,387 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	\$ (1,181,576)	\$ (228,104)	\$ (1,409,680)
2017	(1,181,576)	(228,104)	(1,409,680)
2018	(1,181,576)	(228,104)	(1,409,680)
2019	(1,181,576)	(228,103)	(1,409,679)
	\$ (4,726,304)	\$ (912,415)	\$ (5,638,719)

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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

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

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

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

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

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

**Sensitivity of the 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 net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 8,464,331	\$ 5,932,792	\$ 3,803,549

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

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

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

**Springfield Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 38,581,077	\$ 26,949,451	\$ 17,113,009

**Springfield Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 13 - Postemployment Benefits**

***A. School Employees Retirement System***

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

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

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

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$93,442, \$55,093 and \$55,373, respectively. For fiscal year 2015, 84 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

***B. State Teachers Retirement System***

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

**Springfield Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$114,703, and \$114,830, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Note 14 – Contingencies**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2015, 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.

**C. School District Funding**

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

**Springfield Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 15 - Long - Term Obligations**

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

	Restated Outstanding 6/30/14	Additions	Reductions	Outstanding 6/30/15	Amounts Due in One Year
<b>Governmental Activities:</b>					
Energy Conservation Note	\$ 94,127	\$ 0	\$ (94,127)	\$ 0	\$ 0
<i>School Facilities Improvement Bonds</i>					
Series 2010A Tax-Exempt Bond	1,205,000	0	(745,000)	460,000	460,000
Series 2010B Build America Bonds	20,200,000	0	0	20,200,000	0
Series 2010C Qualified School Construction Bonds	11,260,000	0	0	11,260,000	300,000
Unamortized Premium	366,345	0	(11,448)	354,897	0
<i>Total School Facilities Improvement Bonds</i>	<u>33,031,345</u>	<u>0</u>	<u>(756,448)</u>	<u>32,274,897</u>	<u>760,000</u>
<i>Net Pension Liability</i>					
STRS	32,102,009	0	(5,152,558)	26,949,451	0
SERS	6,971,113	0	(1,038,321)	5,932,792	0
<i>Total Net Pension Liability</i>	<u>39,073,122</u>	<u>0</u>	<u>(6,190,879)</u>	<u>32,882,243</u>	<u>0</u>
<i>Other Long-Term Liabilities</i>					
Capital Lease	24,584	0	(24,584)	0	0
Loan Payable	176,165	0	(49,097)	127,068	51,097
Compensated Absences	1,210,529	233,886	(172,471)	1,271,944	67,588
<i>Total Other Long-Term Liabilities</i>	<u>1,411,278</u>	<u>233,886</u>	<u>(246,152)</u>	<u>1,399,012</u>	<u>118,685</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 73,609,872</u>	<u>\$ 233,886</u>	<u>\$ (7,287,606)</u>	<u>\$ 66,556,152</u>	<u>\$ 878,685</u>

Compensated absences will be paid from the fund in which the employee is paid, which in prior years has primarily been the general fund. The energy conservation note and the school facilities bonds will be paid from the debt service fund. The capital lease will be paid from general fund. The loan payable will be paid from the permanent improvement fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

***Energy Conservation Note***

In 1999, the School District received \$955,578 for energy conservation capital improvements. The note matured in December 2014 and had an interest rate of 5.91 percent.

**Springfield Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***School Improvement General Obligation Bonds***

On August 31, 2010, the School District issued \$33,724,861 in voted general obligation bonds for the purpose of 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 amortization for June 30, 2015 was \$11,448. 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 maturing on September 1, 2027, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on September 1, 2027.

***Loan Payable***

In November 2012, the School District entered into a loan in the amount of \$250,000 to purchase a building for administration purposes. The loan matures December 1, 2017 and has an interest rate of 4 percent.

**Springfield Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Principal and interest requirements to retire the long-term note and general obligation bonds outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Serial		Build America		Qualified School Construction	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 460,000	\$ 4,600	\$ 0	\$ 1,210,612	\$ 300,000	\$ 591,150
2017	0	0	0	1,210,612	770,000	591,150
2018	0	0	0	1,210,612	780,000	591,150
2019	0	0	0	1,210,612	830,000	591,150
2020	0	0	0	1,210,612	845,000	591,150
2021 - 2025	0	0	0	6,053,065	4,620,000	2,955,750
2026 - 2030	0	0	1,980,000	5,942,325	3,115,000	1,477,875
2031 - 2035	0	0	5,995,000	4,667,589	0	0
2036 - 2040	0	0	7,655,000	2,641,544	0	0
2041 - 2043	0	0	4,570,000	407,007	0	0
<b>Totals</b>	<b>\$ 460,000</b>	<b>\$ 4,600</b>	<b>\$ 20,200,000</b>	<b>\$ 25,764,590</b>	<b>\$ 11,260,000</b>	<b>\$ 7,389,375</b>

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

Principal and interest requirements to retire the loan payable outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Loan Payable		
	Principal	Interest	Total
2016	\$ 51,097	\$ 4,154	\$ 55,251
2017	53,179	2,071	55,250
2018	22,792	228	23,020
<b>Total</b>	<b>\$ 127,068</b>	<b>\$ 6,453</b>	<b>\$ 133,521</b>

**Note 16 – Capitalized Leases**

Capital assets consisting of copiers have been capitalized in the amount of \$117,569. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2015 totaled \$24,584 from the general fund. This lease was paid in full during fiscal year 2015.

**Springfield Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 17 – North East Ohio Network for Educational Technology**

The North East Ohio Network for Educational Technology (NEOnet) is a jointly governed organization comprised of 20 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, 5121 Mahoning Avenue, suite 102, Austintown, Ohio 44515. During the fiscal year ended June 30, 2015, the School District paid \$87,111 to NEOnet for basic service charges.

**Note 18 – 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.

	Capital Improvement Reserve
Set-Aside Restricted Balance as of June 30, 2014	\$ 0
Current Year Set-Aside Requirement	416,461
Current Year Offsets	(488,705)
Total	\$ (72,244)
Balance Carried Forward to Fiscal Year 2016	\$ 0
Set-aside Restricted Balance June 30, 2015	\$ 0

Although the School District had offsets 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.

**Springfield Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 19 – 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.

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

	General	Debt Service	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 903,964	\$ 0	\$ 903,964
Capital Outlay	0	0	2,331,420	2,331,420
Management Info Systems	0	0	6,083	6,083
Federal and State Grant Programs	0	0	61,556	61,556
Athletics	0	0	53,955	53,955
Other Grants	0	0	58,598	58,598
Total Restricted	0	903,964	2,511,612	3,415,576
Assigned for:				
Encumbrances:				
Instruction	6,248	0	0	6,248
Support Services	8,854	0	0	8,854
Other Purposes	106,245	0	0	106,245
Total Assigned	121,347	0	0	121,347
Unassigned	5,872,881	0	(131,269)	5,741,612
Total Fund Balance	\$ 5,994,228	\$ 903,964	\$ 2,380,343	\$ 9,278,535

**Note 20 - 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	\$ 15,102
Nonmajor Governmental Funds	42,255
	\$ 57,357

**Springfield Local School District**  
**Summit County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>		
School District's proportion of the net pension liability (asset)	0.11079612%	0.11079612%
School District's proportionate share of the net pension liability (asset)	\$ 26,949,451	\$ 32,102,009
School District's covered-employee payroll	\$ 11,470,269	\$ 12,366,338
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	234.95%	259.59%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<b><i>School Employees Retirement System (SERS)</i></b>		
School District's proportion of the net pension liability (asset)	0.11722700%	0.11722700%
School District's proportionate share of the net pension liability (asset)	\$ 5,932,792	\$ 6,971,113
School District's covered-employee payroll	\$ 3,853,896	\$ 3,834,126
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	153.94%	181.82%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

**Springfield Local School District**  
**Summit County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 1,657,866	\$ 1,491,135	\$ 1,607,624	\$ 1,418,694
Contributions in Relation to the Contractually Required Contribution	<u>(1,657,866)</u>	<u>(1,491,135)</u>	<u>(1,607,624)</u>	<u>(1,418,694)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 11,841,900	\$ 11,470,269	\$ 12,366,338	\$ 10,913,031
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <b><i>School Employees Retirement System (SERS)</i></b>				
Contractually required contribution	\$ 534,521	\$ 534,150	\$ 530,643	\$ 554,588
Contributions in relation to the contractually required contribution	<u>(534,521)</u>	<u>(534,150)</u>	<u>(530,643)</u>	<u>(554,588)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 4,055,546	\$ 3,853,896	\$ 3,834,126	\$ 4,123,331
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,418,983	\$ 1,585,101	\$ 1,407,982	\$ 1,676,386	\$ 1,826,152	\$ 1,840,583
<u>(1,418,983)</u>	<u>(1,585,101)</u>	<u>(1,407,982)</u>	<u>(1,676,386)</u>	<u>(1,826,152)</u>	<u>(1,840,583)</u>
<u>\$ 0</u>					
\$ 10,915,254	\$ 12,193,085	\$ 10,830,631	\$ 12,895,277	\$ 14,047,323	\$ 14,158,331
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 530,482	\$ 512,531	\$ 469,083	\$ 538,902	n/a	n/a
<u>(530,482)</u>	<u>(512,531)</u>	<u>(469,083)</u>	<u>(538,902)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 4,220,223	\$ 3,785,310	\$ 4,767,104	\$ 5,487,800	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

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SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education</i>					
<i>Child Nutrition Cluster:</i>					
School Breakfast Program	10.553	\$105,609		\$105,609	
National School Lunch Program	10.555	571,747	\$99,613	571,747	\$99,613
Total Child Nutrition Cluster		677,356	99,613	677,356	99,613
<b>Total U.S. Department of Agriculture</b>		<b>677,356</b>	<b>99,613</b>	<b>677,356</b>	<b>99,613</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	597,142		598,319	
Special Education Grants to States	84.027	582,724		571,230	
Special Education Preschool Grants	84.173	17,157		17,157	
Total Special Education Cluster		599,881		588,387	
Improving Teacher Quality State Grants	84.367	72,777		60,319	
ARRA - Race to the Top Incentive Grants, Recovery Act - Resident Educator Program	84.395	75,697		44,438	
<b>Total U.S. Department of Education</b>		<b>1,345,497</b>		<b>1,291,463</b>	
<b>Total</b>		<b>\$2,022,853</b>	<b>\$99,613</b>	<b>\$1,968,819</b>	<b>\$99,613</b>

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Alliance City School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Springfield Local School District  
Summit County  
2410 Massillon Road  
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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Summit County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 5, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

February 5, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Springfield Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Springfield Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in finding 2015-002 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs and cost principles applicable to its Child Nutrition Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

### ***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster*, the Springfield Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster* for the year ended June 30, 2015.

### ***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Springfield Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

The District response to our noncompliance findings is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

### ***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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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's 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a material weakness.

***Report on Internal Control over Compliance (Continued)***

The District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

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

February 5, 2016

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**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified – Child Nutrition Cluster Unmodified – Title 1 Grants to State Educational Agencies
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: CFDA 10.555 and 10.553 and Title 1 Grants to State Educational Agencies CFDA 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Capital Asset Listing**

<i>Finding Number</i>	2015-001
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SIGNIFICANT DEFICIENCY

Capital assets on the financial statement should be supported by detailed listing indicating the cost, depreciation amount (if applicable) and book value. As of June 30, 2015, the capital assets reported in the District's financial statements did not agree to their Capital Asset Activity by Fund Report developed by an asset valuation company. The report did not include \$39,662,004 related to the construction of the new middle/high school building, \$1,808,553 of furniture and equipment related to the construction of the new middle/high school building and \$117,568 related to copier leases. There was no supporting documentation for the amount of \$1,808,553 of furniture and equipment. In addition, a review of the Capital Asset Activity by Fund Report and the District's depreciation calculations indicated no depreciation was expensed during fiscal year 2015 for the items listed above.

The District's Asset Acquisition, Transfer and Disposal Policy #7455 provides fixed assets are defined as those tangible assets of the District with a useful life in excess of one year that the District intends to hold or continue to use over an extended period of time. Such fixed assets have an initial cost equal to or exceeding \$5,000. However, capital assets reported in the District's financial statements include assets valued between \$1,500 and \$4,999.

The District's ongoing building project and issues with the completion of the project prevented the District from maintaining proper records for assets resulting from the project.

Without proper capital asset records, the District will be unable to ensure completeness over its assets.

The District should maintain a detailed listing of capital assets that agrees to the financial statements to help ensure accuracy and completeness of capital assets for financial reporting purposes. In addition, the District should periodically reconcile the detailed listing for each asset class to the summary reported in the financial statements.

**Official's Response:**

**We did not receive a response from Officials on this Finding.**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Time and Effort Documentation**

Finding Number	2015-002
<b>CFDA Title and Number</b>	Child Nutrition Cluster CFDA 10.555 and 10.553
<b>Federal Award Number / Year</b>	2015
<b>Federal Agency</b>	Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

QUESTIONED COST/ NONCOMPLIANCE/ MATERIAL WEAKNESS – ALLOWABLE COSTS/COST PRINCIPLES

**2 Code of Federal Regulations Part 225, Appendix B (8)(h)** provides, in part, charges to Federal awards for salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for that period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on more than one Federal award, or a Federal award and a non-Federal award. Personnel activity reports or equivalent documentation must meet the following standards:

- They must reflect an after-the-fact distribution of the actual activity of each employee;
- They must account for the total activity for which the employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Time and effort documentation was not maintained during fiscal year 2015 for four employees of the District. Child Nutrition Cluster grant payroll expenditures in the amount of \$50,633 will be considered a questioned cost.

The District was not aware each employee was required to maintain time and effort documentation for administrative personnel.

The District should maintain personnel activity reports or equivalent documentation when employees are paid from multiple funds and semi-annual certifications for employees paid from only one grant fund. This will help ensure the proper amount is being charged to each Federal program.

**Finding Number - 2015-002  
(Continued)**

The District should maintain semi-annual certifications, personnel activity reports, or equivalent documentation required for all employees paid from any Federal programs, in accordance with the requirements of 2 C.F.R. Part 225, Appendix B 8(h). This will help ensure the District is in compliance with all Federal time and effort documentation requirements. Furthermore, failure to maintain adequate time and effort documentation could compromise the District's eligibility to participate in future Federal grant programs.

**Official's Response:**

We did not receive a response from officials on this finding.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	<p><b>Capital Asset Listing</b> Financial Statements did not agree to capital asset records. Records did not include the construction of new middle/high school building (37,550,731), furniture (1,667,399) and copier leases (117,568). Also, no depreciation was expensed for furniture.</p>	No	Not Corrected; Repeated as Finding Number 2015-001.
2014-002	Time and Effort Documentation – Title I	No	Not Corrected (Nutrition Cluster in FY15); Repeated as Finding Number 2015-002.

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**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-002	Semi-annual certifications/time and effort will be completed for all required employees	1/31/2016	Christopher Adams

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# Dave Yost • Auditor of State

**SPRINGFIELD LOCAL SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 1, 2016**