



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Springfield Local School District
Mahoning County
11335 Youngstown-Pittsburg Road
PO Box 549
New Middletown, Ohio 44442

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 the Springfield Local School District, Mahoning, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 4, 2018

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities decreased \$731,094, which represents a 26.65% decrease from fiscal year 2016.
- General revenues accounted for \$11,635,217 in revenue or 87.57% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,651,891 in revenue or 12.43% of total revenues of \$13,287,108.
- The District had \$14,018,202 in expenses related to governmental activities; \$1,651,891 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,635,217 were inadequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$11,045,534 in revenues and other financing sources and \$10,972,202 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance increased \$73,322 from \$2,746,486 to \$2,819,818.
- The permanent improvement fund had \$582,590 in revenues and \$458,094 in expenditures. During fiscal year 2017, the permanent improvement fund's fund balance increased \$124,496 from \$495,675 to \$620,171.

Using the Basic Financial Statements (BFS)

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals and/or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-58 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 60 through 66 of this report.

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**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Assets</u>		
Current and other assets	\$ 10,328,557	\$ 10,097,014
Capital assets, net	<u>16,933,490</u>	<u>17,483,210</u>
Total assets	<u>27,262,047</u>	<u>27,580,224</u>
<u>Deferred Outflows of Resources</u>		
Pension	<u>3,330,395</u>	<u>1,454,875</u>
Total deferred outflows of resources	<u>3,330,395</u>	<u>1,454,875</u>
<u>Liabilities</u>		
Current liabilities	1,205,211	1,206,247
Long-term liabilities:		
Due within one year	344,467	329,103
Due in more than one year:		
Net pension liability	18,022,351	14,615,247
Other amounts	<u>9,770,147</u>	<u>9,889,416</u>
Total liabilities	<u>29,342,176</u>	<u>26,040,013</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	4,558,207	4,510,041
Pensions	<u>166,379</u>	<u>1,228,271</u>
Total deferred inflows of resources	<u>4,724,586</u>	<u>5,738,312</u>
<u>Net Position</u>		
Net investment in capital assets	8,004,018	8,421,810
Restricted	554,472	485,964
Unrestricted (deficit)	<u>(12,032,810)</u>	<u>(11,651,000)</u>
Total net position (deficit)	<u>\$ (3,474,320)</u>	<u>\$ (2,743,226)</u>

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,474,320.

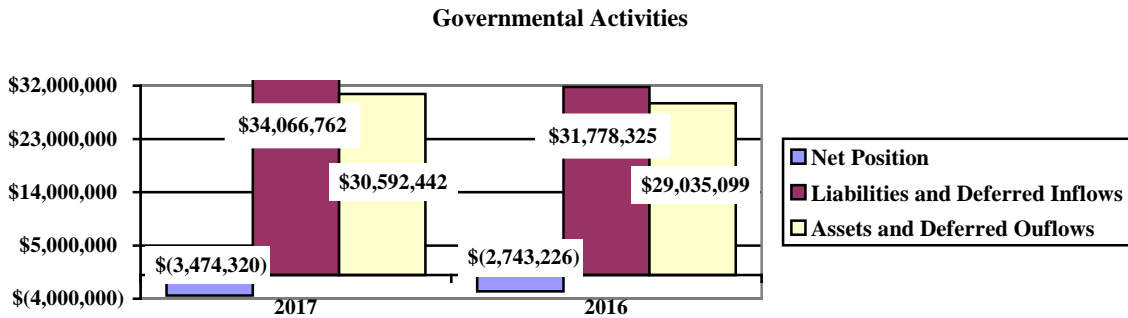
**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

At fiscal year end, capital assets represented 62.11% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, and vehicles. The District's net investment in capital assets at June 30, 2017 was \$8,004,018. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$554,472, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$12,032,810.

The graph below illustrates the District's assets and deferred outflows, liabilities and deferred inflows of resources, and net position at June 30, 2017 and June 30, 2016.



The table below shows the changes in net position for governmental activities for fiscal years 2017 and 2016.

	Change in Net Position	
	Governmental Activities 2017	Governmental Activities 2016
Revenues		
Program revenues:		
Charges for services and sales	\$ 375,749	\$ 392,311
Operating grants and contributions	1,274,142	1,197,229
Capital grants and contributions	2,000	2,500
General revenues:		
Property taxes	4,583,454	4,588,487
School district income tax	2,151,277	2,087,744
Grants and entitlements not restricted	4,811,588	4,881,009
Investment earnings	31,447	14,399
Miscellaneous	57,451	89,475
Total revenues	13,287,108	13,253,154

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**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Change in Net Position (Continued)	
	Governmental	Governmental
	Activities	Activities
	<u>2017</u>	<u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,035,775	\$ 5,508,631
Special	1,258,322	1,189,589
Vocational	217,921	156,052
Other	221,072	193,216
Support services:		
Pupil	625,626	750,073
Instructional staff	392,890	363,706
Board of education	53,344	26,452
Administration	1,156,132	1,110,413
Fiscal	421,234	384,690
Business	100	585
Operations and maintenance	1,370,966	1,250,780
Pupil transportation	610,486	600,787
Central	73,825	57,011
Operation of non-instructional services:		
Other non-instructional services	21,844	8,067
Food service operations	537,445	522,807
Extracurricular activities	555,113	547,923
Interest and fiscal charges	<u>466,107</u>	<u>463,674</u>
Total expenses	<u>14,018,202</u>	<u>13,134,456</u>
Change in net position	(731,094)	118,698
Net position (deficit) at beginning of year	<u>(2,743,226)</u>	<u>(2,861,924)</u>
Net position (deficit) at end of year	<u><u>\$ (3,474,320)</u></u>	<u><u>\$ (2,743,226)</u></u>

Governmental Activities

Net position of the District's governmental activities decreased \$731,094. Total governmental expenses of \$14,018,202 were offset by program revenues of \$1,651,891 and general revenues of \$11,635,217. Program revenues supported 11.78% of the total governmental expenses.

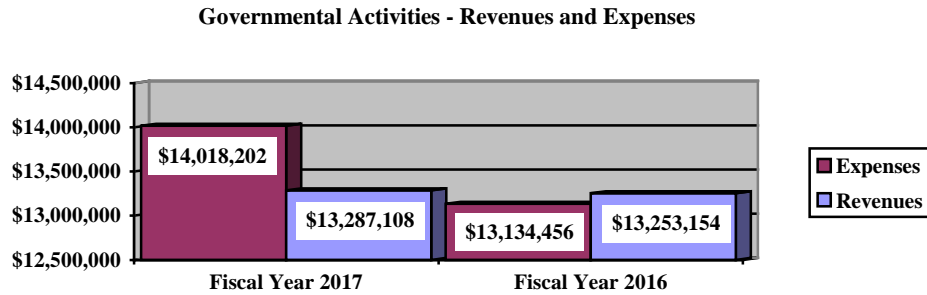
The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 86.90% of the total governmental revenues.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,733,090 or 55.16% of the total governmental expenses for fiscal year 2017.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2017 and 2016. That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses				
Instruction:				
Regular	\$ 6,035,775	\$ 5,862,854	\$ 5,508,631	\$ 5,353,619
Special	1,258,322	723,734	1,189,589	682,558
Vocational	217,921	179,507	156,052	146,335
Other	221,072	67,915	193,216	21,267
Support services:				
Pupil	625,626	556,298	750,073	685,226
Instructional staff	392,890	336,405	363,706	300,993
Board of education	53,344	53,344	26,452	26,452
Administration	1,156,132	1,144,699	1,110,413	1,110,413
Fiscal	421,234	421,234	384,690	384,690
Business	100	100	585	585
Operations and maintenance	1,370,966	1,369,916	1,250,780	1,248,349
Pupil transportation	610,486	604,861	600,787	595,632
Central	73,825	68,425	57,011	51,611
Operation of non-instructional services:				
Other non-instructional services	21,844	(3,076)	8,067	(7,987)
Food service operations	537,445	81,665	522,807	54,353
Extracurricular activities	555,113	432,323	547,923	424,646
Interest and fiscal charges	466,107	466,107	463,674	463,674
Total expenses	<u>\$ 14,018,202</u>	<u>\$ 12,366,311</u>	<u>\$ 13,134,456</u>	<u>\$ 11,542,416</u>

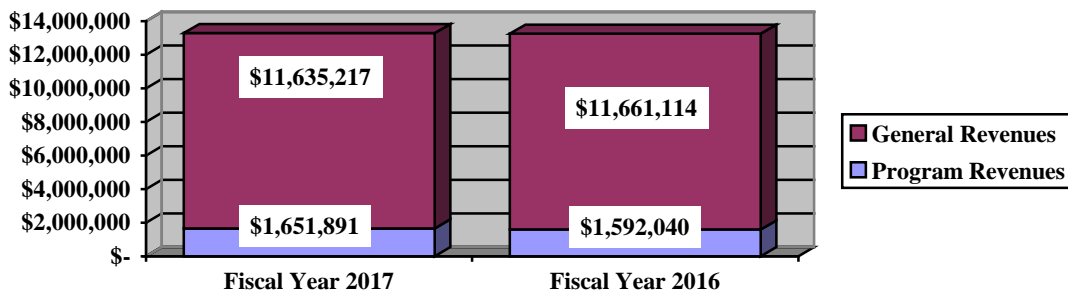
**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The dependence upon taxes and other general revenues for governmental activities is apparent, as 88.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.22%. The District's taxpayers and grants and entitlements from the State are the primary support for the District's students.

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,214,860, which is greater than last year's total balance of \$4,013,143. The table below indicates the fund balance and the total change in fund balance as of June 30, 2017 and June 30, 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Change	Percentage Change
General	\$ 2,819,818	\$ 2,746,486	\$ 73,332	2.67 %
Permanent improvement	620,171	495,675	124,496	25.12 %
Nonmajor governmental	774,871	770,982	3,889	0.50 %
Total	\$ 4,214,860	\$ 4,013,143	\$ 201,717	5.03 %

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

General Fund

The District's general fund balance increased \$73,332.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 5,814,351	\$ 5,699,993	\$ 114,358	2.01 %
Earnings on investments	28,455	11,449	17,006	148.54 %
Intergovernmental	5,082,254	5,176,736	(94,482)	(1.83) %
Other revenues	<u>119,564</u>	<u>172,486</u>	<u>(52,922)</u>	<u>(30.68) %</u>
Total	<u>\$ 11,044,624</u>	<u>\$ 11,060,664</u>	<u>\$ (16,040)</u>	<u>(0.15) %</u>
<u>Expenditures</u>				
Instruction	\$ 6,487,003	\$ 6,170,032	\$ 316,971	5.14 %
Support services	4,043,356	4,134,276	(90,920)	(2.20) %
Non-instructional services	1,165	1,149	16	1.39 %
Extracurricular activities	<u>355,678</u>	<u>386,834</u>	<u>(31,156)</u>	<u>(8.05) %</u>
Total	<u>\$ 10,887,202</u>	<u>\$ 10,692,291</u>	<u>\$ 194,911</u>	<u>1.82 %</u>

Overall revenues of the general fund decreased \$16,040 or 0.15%. Other revenues decreased \$52,922 or 31% primarily due to a decrease in revenues from extracurricular activities. Earnings on investments increased due to an increase in interest rates on the District's investments. All other revenue classifications remained comparable to the prior fiscal year.

Overall expenditures of the general fund increased \$194,911 or 1.82%. This increase is primarily due to the District hiring additional staff during the 2017 fiscal year. Instructional services increased \$316,971 and support services decreased by \$90,920.

Permanent Improvement Fund

The permanent improvement fund had \$582,590 in revenues and \$458,094 in expenditures. During fiscal year 2017, the permanent improvement fund's fund balance increased \$124,496 from \$495,675 to \$620,171.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources were \$11,034,324. Final budgeted revenues were unchanged from the original budget. Actual revenues and other financing sources for fiscal year 2016 were \$11,062,309. This represents a \$27,985 increase over final budgeted amounts.

General fund original and final appropriations (appropriated expenditures and other financing uses) were \$12,148,561. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$11,060,958, which was \$1,087,603 less than the final budgeted amounts.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$16,933,490 invested in land, land improvements, buildings and improvements, equipment and furniture, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2017 balances compared to June 30, 2016 balances.

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

	Governmental Activities	
	2017	Restated 2016
Land	\$ 99,230	\$ 99,230
Land improvements	642,221	725,018
Buildings and improvements	15,452,859	15,776,436
Equipment and furniture	625,503	715,278
Vehicles	113,677	167,248
Total	\$ 16,933,490	\$ 17,483,210

The overall decrease in capital assets of \$549,720 is due to the District's current year depreciation exceeding capital asset additions.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had \$2,643,388 in lease-purchase agreement obligations and \$6,416,436 in general obligation bonds outstanding. Of this total, \$261,643 is due within one year and \$8,798,181 is due in more than one year. The following table summarizes the District's long-term obligations outstanding at June 30, 2017 and June 30, 2016.

Long-Term Obligations, at Year End

	Governmental Activities	Governmental Activities
	2017	2016
Lease-purchase agreement obligations	\$ 2,643,388	\$ 2,848,650
General obligation bonds	6,416,436	6,420,327
Total	\$ 9,059,824	\$ 9,268,977

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Current Financial Related Activities

Overall, the District is financially strong. As the preceding information shows, the District relies heavily upon property taxes, income taxes, and grants and entitlements. On November 4, 2014, the school district income tax was renewed for a period of five years, beginning January 1, 2015. This tax revenue, along with the District's cash balance, has provided the District with the necessary funds to meet its operating expenses and will continue to do so for at least the next four fiscal years. However, the future financial stability of the District is not without challenges. The income tax expires on December 31, 2019 and will require voter approval for an additional five years.

Since the District relies on the State for more than half of the general operating revenues, one of the largest challenges facing the District is that of State funding. State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. With the passage of AM. Sub. H.B. 59 of the 130th Ohio General Assembly in July 2013 the state foundation formula for fiscal years 2014 thru 2017 changed. A large part of our funding under this formula is the Transitional Aid Guarantee. This section provides additional funds if the foundation calculation amount is less than what were received in FY13 as the calculated Bridge Funding. The Transitional Aid Guarantee is \$525,824 in FY 2017 and so continuation of this line item is imperative.

The next challenge facing the District is the rapid decline in enrollment over the past several years, especially if these declines continue. The District has thus far been able to manage the decline in enrollment by aggressively adjusting the certified and classified staffing levels as necessary. Should enrollment continue to decline, this will become increasingly more difficult as further reductions would entail that the District consider program reductions and negotiate changes to current labor contracts. Enrollment for fiscal year 2018 showed a decrease from 1,107 funded students to 1,062 funded students. The District passed a new bond issue on May 7, 2013 for the construction of a new elementary school. The new school opened in the fall of 2015 with the addition of all-day kindergarten services. It is believed that the addition of this service along with the new building will add to the attractiveness of the District to families who are considering which District to live in or where to send their children for education.

On a more positive note, in addition to the renewal of the income tax, the District entered into new labor agreements with both the Springfield Local Classroom Teachers Association and the Springfield Local Classified Employees' Association. These agreements are for a period of three years ending on August 31, 2019. The District considers its strong and trusting relationship between its Board, administrators, and all employees to be its most valuable asset.

In conclusion, the District's system of budgeting and internal controls is well regarded. All of the District's financial abilities and experience will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Edward N. Sobnosky, Treasurer, Springfield Local School District, Box AK 11335 Youngstown-Pittsburgh Road, New Middletown, Ohio 44442.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,288,493
Receivables:	
Property taxes	4,837,380
Income taxes.	915,048
Accounts.	37
Intergovernmental	271,225
Prepayments	8,440
Materials and supplies inventory.	2,348
Inventory held for resale.	5,586
Capital assets:	
Nondepreciable capital assets	99,230
Depreciable capital assets, net.	16,834,260
Capital assets, net	16,933,490
Total assets.	27,262,047
Deferred outflows of resources:	
Pension - STRS	2,596,725
Pension - SERS	733,670
Total deferred outflows of resources	3,330,395
Liabilities:	
Accounts payable.	87,570
Accrued wages and benefits payable	894,806
Intergovernmental payable	38,738
Pension and postemployment benefits payable.	150,972
Accrued interest payable	33,125
Long-term liabilities:	
Due within one year.	344,467
Due in more than one year:	
Net pension liability	18,022,351
Other amounts due in more than one year	9,770,147
Total liabilities	29,342,176
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,558,207
Pension - STRS.	98,309
Pension - SERS.	68,070
Total deferred inflows of resources	4,724,586
Net position:	
Net investment in capital assets	8,004,018
Restricted for:	
Capital projects	190,969
Classroom facilities maintenance	292,618
Locally funded programs	15,495
Federally funded programs	2,956
Student activities	35,872
Other purposes	16,562
Unrestricted (deficit)	(12,032,810)
Total net position (deficit)	\$ (3,474,320)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,035,775	\$ 33,621	\$ 137,300	\$ 2,000	\$ (5,862,854)
Special	1,258,322	663	533,925	-	(723,734)
Vocational	217,921	-	38,414	-	(179,507)
Other	221,072	-	153,157	-	(67,915)
Support services:					
Pupil.	625,626	-	69,328	-	(556,298)
Instructional staff	392,890	2,058	54,427	-	(336,405)
Board of education	53,344	-	-	-	(53,344)
Administration.	1,156,132	-	11,433	-	(1,144,699)
Fiscal.	421,234	-	-	-	(421,234)
Business.	100	-	-	-	(100)
Operations and maintenance	1,370,966	787	263	-	(1,369,916)
Pupil transportation.	610,486	-	5,625	-	(604,861)
Central	73,825	-	5,400	-	(68,425)
Operation of non-instructional services:					
Other non-instructional services	21,844	412	24,508	-	3,076
Food service operations	537,445	215,694	240,086	-	(81,665)
Extracurricular activities.	555,113	122,514	276	-	(432,323)
Interest and fiscal charges	466,107	-	-	-	(466,107)
Total governmental activities	\$ 14,018,202	\$ 375,749	\$ 1,274,142	\$ 2,000	(12,366,311)

General revenues:

Property taxes levied for:

General purposes	3,654,376
Debt service.	338,711
Capital outlay.	508,066
Special revenue.	82,301
Income taxes levied for:	
General purposes	2,151,277
Grants and entitlements not restricted	
to specific programs	4,811,588
Investment earnings	31,447
Miscellaneous	57,451

Total general revenues	11,635,217
Change in net position	(731,094)
Net position (deficit) at beginning of year	(2,743,226)
Net position (deficit) at end of year.	\$ (3,474,320)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,872,737	\$ 614,871	\$ 800,885	\$ 4,288,493
Receivables:				
Property taxes	3,857,518	535,846	444,016	4,837,380
Income taxes	915,048	-	-	915,048
Accounts	37	-	-	37
Interfund loans	183,736	-	-	183,736
Intergovernmental	55,722	-	215,503	271,225
Prepayments	7,810	-	630	8,440
Materials and supplies inventory	-	-	2,348	2,348
Inventory held for resale	-	-	5,586	5,586
Total assets	<u>\$ 7,892,608</u>	<u>\$ 1,150,717</u>	<u>\$ 1,468,968</u>	<u>\$ 10,512,293</u>
Liabilities:				
Accounts payable	\$ 87,038	\$ -	\$ 532	\$ 87,570
Accrued wages and benefits payable	839,173	-	55,633	894,806
Compensated absences payable	505	-	-	505
Intergovernmental payable	38,140	-	598	38,738
Pension and postemployment benefits payable	136,998	-	13,974	150,972
Interfund loans payable	-	-	183,736	183,736
Total liabilities	<u>1,101,854</u>	<u>-</u>	<u>254,473</u>	<u>1,356,327</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,637,875	503,280	417,052	4,558,207
Delinquent property tax revenue not available	181,335	27,266	22,572	231,173
Income tax revenue not available	137,045	-	-	137,045
Intergovernmental revenue not available	14,681	-	-	14,681
Total deferred inflows of resources	<u>3,970,936</u>	<u>530,546</u>	<u>439,624</u>	<u>4,941,106</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	2,348	2,348
Prepays	7,810	-	630	8,440
Restricted:				
Debt service	-	-	122,114	122,114
Capital improvements	-	-	326,024	326,024
Classroom facilities maintenance	-	-	288,224	288,224
Targeted academic assistance	-	-	2,956	2,956
Other purposes	-	-	32,057	32,057
Extracurricular	-	-	35,872	35,872
Committed:				
Capital improvements	-	620,171	-	620,171
Student and staff support	4,199	-	-	4,199
Other purposes	11,000	-	-	11,000
Assigned:				
Student instruction	357,785	-	-	357,785
Student and staff support	736,954	-	-	736,954
Extracurricular activities	2,700	-	-	2,700
Subsequent year's appropriations	1,341,538	-	-	1,341,538
Other purposes	7,295	-	-	7,295
Unassigned (deficit)	<u>350,537</u>	<u>-</u>	<u>(35,354)</u>	<u>315,183</u>
Total fund balances	<u>2,819,818</u>	<u>620,171</u>	<u>774,871</u>	<u>4,214,860</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,892,608</u>	<u>\$ 1,150,717</u>	<u>\$ 1,468,968</u>	<u>\$ 10,512,293</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	4,214,860
<i>Amounts reported for governmental activities on 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.			16,933,490
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	231,173	
Income taxes receivable		137,045	
Intergovernmental receivable		14,681	
Total		14,681	382,899
Unamortized premiums on bonds issued are not recognized in the funds.			(150,146)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(33,125)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(6,416,436)	
Lease-purchase agreement obligations payable		(2,643,388)	
Compensated absences		(904,139)	
Total		(9,963,963)	(9,963,963)
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		3,330,395	
Deferred inflows - pension		(166,379)	
Net pension liability		(18,022,351)	
Total		(14,858,335)	(14,858,335)
Net position (deficit) of governmental activities		\$	(3,474,320)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,684,427	\$ 512,535	\$ 424,713	\$ 4,621,675
Income taxes	2,129,924	-	-	2,129,924
Tuition	6,509	-	-	6,509
Earnings on investments	28,455	-	2,992	31,447
Charges for services	-	-	215,931	215,931
Extracurricular	26,095	-	96,795	122,890
Classroom materials and fees	21,674	-	-	21,674
Rental income	550	-	-	550
Contributions and donations	54,433	2,000	5,326	61,759
Contract services	6,000	-	-	6,000
Other local revenues	4,303	-	-	4,303
Intergovernmental - intermediate	-	-	16,040	16,040
Intergovernmental - state	5,005,490	68,055	172,280	5,245,825
Intergovernmental - federal	76,764	-	753,515	830,279
Total revenues	<u>11,044,624</u>	<u>582,590</u>	<u>1,687,592</u>	<u>13,314,806</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,194,278	5,044	140,630	5,339,952
Special	1,064,505	-	163,349	1,227,854
Vocational	176,169	-	31,300	207,469
Other	52,051	-	155,705	207,756
Support services:				
Pupil	539,589	-	69,328	608,917
Instructional staff	322,109	-	57,494	379,603
Board of education	52,602	-	-	52,602
Administration	1,074,080	-	11,433	1,085,513
Fiscal	386,719	9,716	8,049	404,484
Business	100	-	-	100
Operations and maintenance	1,102,999	50,482	6,379	1,159,860
Pupil transportation	498,553	24,075	-	522,628
Central	66,605	-	5,400	72,005
Operation of non-instructional services:				
Other non-instructional services	1,165	-	20,679	21,844
Food service operations	-	-	517,545	517,545
Extracurricular activities	355,678	-	91,211	446,889
Facilities acquisition and construction	-	37,687	140,588	178,275
Debt service:				
Principal retirement	-	205,262	50,000	255,262
Interest and fiscal charges	-	125,828	299,613	425,441
Total expenditures	<u>10,887,202</u>	<u>458,094</u>	<u>1,768,703</u>	<u>13,113,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>157,422</u>	<u>124,496</u>	<u>(81,111)</u>	<u>200,807</u>
Other financing sources (uses):				
Sale/loss of assets	910	-	-	910
Transfers in	-	-	85,000	85,000
Transfers (out)	(85,000)	-	-	(85,000)
Total other financing sources (uses)	<u>(84,090)</u>	<u>-</u>	<u>85,000</u>	<u>910</u>
Net change in fund balances	73,332	124,496	3,889	201,717
Fund balances at beginning of year	<u>2,746,486</u>	<u>495,675</u>	<u>770,982</u>	<u>4,013,143</u>
Fund balances at end of year	<u>\$ 2,819,818</u>	<u>\$ 620,171</u>	<u>\$ 774,871</u>	<u>\$ 4,214,860</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	201,717
 <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.		
Capital asset additions	\$ 135,470	
Current year depreciation	(685,190)	
Total		(549,720)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(38,221)	
Income taxes	21,353	
Intergovernmental	(1,752)	
Total		(18,620)
 Repayment of general obligation bonds and lease-purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		255,262
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	811	
Accreted interest on capital appreciation bonds	(46,109)	
Amortization of bond premiums	4,632	
Total		(40,666)
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(109,375)
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		876,351
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,346,043)
Change in net position of governmental activities	\$	(731,094)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,626,917	\$ 3,626,917	\$ 3,678,000	\$ 51,083
Income taxes.	2,124,000	2,124,000	2,126,072	2,072
Tuition.	28,907	28,907	6,509	(22,398)
Earnings on investments	11,500	11,500	28,455	16,955
Classroom materials and fees	17,203	17,203	17,218	15
Contributions and donations	-	-	1,000	1,000
Contract services.	6,000	6,000	6,000	-
Other local revenues	1,206	1,206	2,108	902
Intergovernmental - state	5,075,136	5,075,136	5,013,781	(61,355)
Intergovernmental - federal	30,000	30,000	54,995	24,995
Total revenues	<u>10,920,869</u>	<u>10,920,869</u>	<u>10,934,688</u>	<u>13,819</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,567,980	5,567,980	5,209,888	358,092
Special.	1,186,170	1,186,170	1,022,503	163,667
Vocational.	179,622	179,622	174,176	5,446
Other.	29,359	29,359	48,529	(19,170)
Support services:				
Pupil.	783,705	783,705	540,993	242,712
Instructional staff	342,115	342,115	312,669	29,446
Board of education	30,221	30,221	29,045	1,176
Administration.	1,253,307	1,253,307	1,079,276	174,031
Fiscal	421,309	421,309	385,864	35,445
Business	661	661	100	561
Operations and maintenance.	1,122,030	1,122,030	1,131,533	(9,503)
Pupil transportation	621,742	621,742	506,897	114,845
Central.	59,071	59,071	69,229	(10,158)
Extracurricular activities.	355,265	355,265	281,520	73,745
Total expenditures	<u>11,952,557</u>	<u>11,952,557</u>	<u>10,792,222</u>	<u>1,160,335</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(1,031,688)</u>	<u>(1,031,688)</u>	<u>142,466</u>	<u>1,174,154</u>
Other financing sources (uses):				
Refund of prior year's expenditures	10,000	10,000	23,256	13,256
Transfers (out).	(79,100)	(79,100)	(85,000)	(5,900)
Advances in.	103,455	103,455	103,455	-
Advances (out)	(116,904)	(116,904)	(183,736)	(66,832)
Sale of capital assets	-	-	910	910
Total other financing sources (uses)	<u>(82,549)</u>	<u>(82,549)</u>	<u>(141,115)</u>	<u>(58,566)</u>
Net change in fund balance	(1,114,237)	(1,114,237)	1,351	1,115,588
Fund balance at beginning of year	2,744,777	2,744,777	2,744,777	-
Prior year encumbrances appropriated	31,723	31,723	31,723	-
Fund balance at end of year	<u>\$ 1,662,263</u>	<u>\$ 1,662,263</u>	<u>\$ 2,777,851</u>	<u>\$ 1,115,588</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2017

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 8,770,776
Total assets.	<u>\$ 8,770,776</u>
Liabilities:	
Due to students.	\$ 48,868
Due to other governments	<u>8,721,908</u>
Total liabilities	<u>\$ 8,770,776</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Springfield Local School District (the “District”) is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 36 square miles in Mahoning County, including all of the Village of New Middletown and portions of surrounding townships.

The District currently operates one elementary school, one middle school, and one comprehensive high school. The District is staffed by 76 certified and 40 classified personnel to provide services to approximately 1,107 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (ACCESS) is a jointly governed organization among twenty-six school districts and two county educational service centers. ACCESS was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these member districts supports ACCESS based upon a per-pupil charge dependent upon the software package utilized. ACCESS is governed by a Board of Directors consisting of Superintendents of the member districts. The degree of control exercised by any member district is limited to its representation on the Board of Directors. The District does not have any equity interest in ACCESS. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Youngstown, Ohio 44512.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Mahoning County Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

PUBLIC ENTITY RISK POOL

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative participating School District (usually the superintendent or a designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Springfield Local School District. The fiscal agent will then remit the charges for services to Medical Mutual of Ohio (MMO), who acts in the capacity of a third-party administrator (TPA) for claims processing.

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

Permanent improvement fund - The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements to the District's premises.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects; (b) financial resources that are restricted, committed, or assigned to expenditures related to debt service activities and for (c) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has three agency funds to account for fiscal agent monies held on-behalf of the Mahoning County Insurance Consortium, other governments, and student activities.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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.

Agency funds do not report a measurement focus as they do not report results of 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 on the fund financial statements. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2017 is as follows:

1. The Mahoning County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended official certificates of estimated resources issued for fiscal year 2017.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total fund appropriations must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board of Education prior to July 1, 2016. However, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$28,455, which includes \$7,223 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at fiscal year-end is provided in Note 4.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

Governmental capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their acquisition value as of the date received. The District maintains its capitalization threshold at \$5,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2017, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities 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 its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for education foundation fund (a nonmajor governmental fund) activities.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported in the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense/expenditure is reported in the year in which services are consumed.

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

P. Interfund Activity

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

Q. Bond Issuance Costs/Unamortized Bond Premium

On the government-wide and fund financial statements, bond issuance costs are expensed/expended during the fiscal year in which they are incurred.

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds' face value and the amount reported on the statement of net position is presented in Note 10.

R. 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. 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 2017.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

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

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service operations	\$ 3,872
Title I	28,504

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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 fair 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;

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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);
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.

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

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

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$10,418,010. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$6,417,220 of the District's bank balance of \$11,238,273 was exposed to custodial risk as discussed below, while \$4,821,053 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2017, the District had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 Months or Less</u>
Amortized Cost: STAR Ohio	\$ 2,641,259	\$ 2,641,259

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized Cost: STAR Ohio	\$ 2,641,259	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,418,010
Investments	<u>2,641,259</u>
Total	<u>\$ 13,059,269</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,288,493
Agency funds	<u>8,770,776</u>
 Total	 <u>\$ 13,059,269</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfer from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 85,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. Interfund balances at June 30, 2017 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 183,736</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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 revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amounts available for advance at June 30, 2017 were \$181,335 from the general fund, \$18,178 from the bond retirement fund, \$27,266 from the permanent improvement fund, and \$4,394 from the classroom facilities improvement fund (a nonmajor governmental fund). The County Auditor did not report any amounts available as an advance to the District at June 30, 2016. The amount of the second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

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

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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 166,429,230	87.12	\$ 166,466,800	86.57
Public utility personal	<u>24,606,790</u>	<u>12.88</u>	<u>25,821,350</u>	<u>13.43</u>
Total	<u>\$ 191,036,020</u>	<u>100.00</u>	<u>\$ 192,288,150</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General purposes	\$30.50		\$30.50	
Debt service	2.00		2.00	
Capital projects	3.00		3.00	
Special revenue	0.50		0.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. 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 list of the principal items of receivables reported on the statement of net position follows:

<u>Governmental activities:</u>	<u>Amount</u>
Property taxes	\$ 4,837,380
Income taxes	915,048
Accounts	37
Intergovernmental	<u>271,225</u>
Total	<u>\$ 6,023,690</u>

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS

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

	Restated Balance			Balance
<u>Governmental activities:</u>	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 99,230	\$ -	\$ -	\$ 99,230
<i>Total capital assets, not being depreciated</i>	<u>99,230</u>	<u>-</u>	<u>-</u>	<u>99,230</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,328,986	12,689	(17,418)	2,324,257
Buildings and improvements	20,809,477	97,785	-	20,907,262
Equipment and furniture	1,363,220	24,996	(43,239)	1,344,977
Vehicles	1,023,840	-	-	1,023,840
<i>Total capital assets, being depreciated</i>	<u>25,525,523</u>	<u>135,470</u>	<u>(60,657)</u>	<u>25,600,336</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,603,968)	(95,486)	17,418	(1,682,036)
Buildings and improvements	(5,033,041)	(421,362)	-	(5,454,403)
Equipment and furniture	(647,942)	(114,771)	43,239	(719,474)
Vehicles	(856,592)	(53,571)	-	(910,163)
<i>Total accumulated depreciation</i>	<u>(8,141,543)</u>	<u>(685,190)</u>	<u>60,657</u>	<u>(8,766,076)</u>
Total capital assets, net	<u>\$ 17,483,210</u>	<u>\$ (549,720)</u>	<u>\$ -</u>	<u>\$ 16,933,490</u>

The capital assets at July 1, 2016 have been restated to properly report a capital asset that was previously reported as equipment and furniture to land improvements. This restatement did not change the total capital asset balance and had no effect on net position at July 1, 2016.

Depreciation expense was charged to governmental activities as follows:

<u>Instruction:</u>	
Regular	\$ 383,593
<u>Support services:</u>	
Administration	2,981
Fiscal	1,036
Operations and maintenance	132,989
Pupil transportation	54,356
Food service operations	7,276
Extracurricular activities	<u>102,959</u>
Total depreciation expense	<u>\$ 685,190</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LEASE-PURCHASE AGREEMENT

On June 27, 2002, the District entered into a \$1,200,000 lease-purchase agreement with the Springfield School Building Corporation (SSBC) for the financing of a new athletic facilities complex including an eight-lane all-weather track, a home grandstand with seating for approximately 2,000 including a press box, a visitor grandstand with seating for approximately 1,000, a band shell structure and grandstand, home and visitor concession buildings with restroom facilities, ticket booths, fencing, and lighting (hereafter the “Original Project”).

On June 21, 2012, the District entered into a \$3,068,535 lease-purchase agreement with the Ohio School Building Leasing Corporation (OSBLC) for the financing of various renovations and capital improvements on the campuses of Springfield High School and Springfield Middle School (hereafter the “New Project”).

As part of the lease-purchase agreement entered into during fiscal year 2012, the remaining debt service requirements on the lease-purchase agreement for the Original Project were refinanced and included in a restructured debt payment schedule. The lease-purchase agreement liability in the amount of \$2,643,388 as reported on the statement of net position at June 30, 2017 is therefore a combination of the lease-purchase agreement obligations from both the Original Project and the New Project. As of June 30, 2017, governmental capital assets consisting of land improvements and buildings and improvements resulting from both the Original Project and the New Project have been capitalized by the District in the approximate amount of \$4,268,535 (the total proceeds received from the lease-purchase agreements).

The source of revenue to fund the principal and interest payments on the restructured lease-purchase agreement debt payment schedule is derived from the property tax levy in the permanent improvement fund. During fiscal year 2017, the District made principal and interest payments of \$205,262 and \$125,828, respectively, from the permanent improvement fund.

The following is a schedule of the future long-term minimum payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2017:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2018	\$ 331,142
2019	331,142
2020	331,142
2021	331,142
2022	331,142
2023 - 2027	<u>1,655,710</u>
Total future minimum lease payments	3,311,420
Less: amount representing interest	<u>(668,032)</u>
Present value of future minimum lease payments	<u><u>\$ 2,643,388</u></u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the capital projects are being constructed to the OSBLC. The District is the lessor and OSBLC is the lessee under the ground-lease agreement. The ground-lease commenced on June 21, 2012 and terminates on December 1, 2032, or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

The OSBLC entered into an assignment of rents and leases agreement with the Farmers National Bank, whereby the OSBLC, in consideration for the lease-purchase agreement proceeds provided by the Farmers National Bank, assigns to Farmers National Bank all rents, payments and income derived from the lease-purchase agreement during the term of the ground-lease.

A. During fiscal year 2017, the following changes occurred in governmental activities long-term obligations.

	Balance			Balance	Amounts Due
	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>In One Year</u>
<u>Governmental activities:</u>					
General obligation bonds - series 2013					
Current interest bonds	\$ 6,295,000	\$ -	\$ (50,000)	\$ 6,245,000	\$ -
Capital appreciation bonds	53,259	-	-	53,259	14,645
Accreted interest	72,068	46,109	-	118,177	32,394
	<u>6,420,327</u>	<u>46,109</u>	<u>(50,000)</u>	<u>6,416,436</u>	<u>47,039</u>
Total general obligation bonds					
Net pension liability	14,615,247	3,407,104	-	18,022,351	-
Lease-purchase agreement	2,848,650	-	(205,262)	2,643,388	214,604
Compensated absences	794,764	183,721	(73,841)	904,644	82,824
Total governmental activities	<u>\$ 24,678,988</u>	<u>\$ 3,636,934</u>	<u>\$ (329,103)</u>	27,986,819	<u>\$ 344,467</u>
Unamortized bond premiums				<u>150,146</u>	
Total on statement of net position				<u>\$ 28,136,965</u>	

Net Pension Liability: See Note 12 for more information on net pension liability.

Lease-Purchase Agreement: The lease-purchase agreement will be paid from the permanent improvement fund. See Note 9 for details.

Compensated Absences: Compensated absences will be paid out of the fund from which the employee is paid, which for the District is primarily the general fund.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds - Series 2013: On September 11, 2013, the District issued \$6,398,259 in general obligation classroom facilities improvement bonds to finance capital improvements associated with the District's OFCC project. The issue is comprised of both current interest bonds, par value \$6,345,000, and capital appreciation bonds, par value \$53,259. The current interest bonds bear interest at rates ranging from 2.00% to 5.00%, and mature on December 1, 2049. The capital appreciation bonds have a stated interest rate of 34.121%, and mature on December 1, 2017, December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021, and December 1, 2022 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$400,000. Total accreted interest of \$118,177 has been included on the statement of net position at June 30, 2017. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund). As of June 30, 2017, the District reported \$162,321 in unspent bond proceeds related to this bond issuance.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

The following table summarizes the District's future annual debt service requirements to maturity for the general obligation bonds payable:

Fiscal Year	Current Interest - Series 2013			Capital Appreciation - Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ -	\$ 299,112	\$ 299,112	\$ 14,645	\$ 40,355	\$ 55,000
2019	-	299,113	299,113	12,631	52,369	65,000
2020	-	299,112	299,112	9,218	55,782	65,000
2021	-	299,113	299,113	7,243	62,757	70,000
2022	-	299,112	299,112	5,664	69,336	75,000
2023 - 2027	360,000	1,468,112	1,828,112	3,858	66,142	70,000
2028 - 2032	640,000	1,352,294	1,992,294	-	-	-
2033 - 2037	915,000	1,171,502	2,086,502	-	-	-
2038 - 2042	1,270,000	921,109	2,191,109	-	-	-
2043 - 2047	1,735,000	557,322	2,292,322	-	-	-
2048 - 2050	1,325,000	102,375	1,427,375	-	-	-
Total	<u>\$ 6,245,000</u>	<u>\$ 7,068,276</u>	<u>\$ 13,313,276</u>	<u>\$ 53,259</u>	<u>\$ 346,741</u>	<u>\$ 400,000</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$11,129,789 (including available funds of \$122,114) and an unvoted debt margin of \$192,288.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments.

The Educational Property and Crime coverage limits are \$40,733,195 property damage per occurrence with a deductible of \$1,000 per occurrence. Some of the additional limits include \$100,000 accounts receivable, \$250,000 business interruption/rental income, and \$1,000,000 extra expense. Flood limits per occurrence and annual aggregate are \$5,000,000. Earthquake Shock limit is \$10,000,000 per occurrence and annual aggregate.

The business auto coverage now has a combined liability single limit of \$3,000,000 per accident, \$5,000 medical payments - each accident, \$50,000 Uninsured/Underinsured-each accident, and \$75,000 hired auto physical damage. Comprehensive deductibles are \$1,000 for Buses and \$250 for all other autos. Collision deductibles are \$1,000 and \$500 respectively.

The District still has liability insurance coverage limits of \$3,000,000 per claim and \$5,000,000 annual aggregate. However, the employee benefits liability is now included in the basic policy with the policy limits. In addition, the liability policy has a fire damage limit of \$500,000 for any one fire, and a medical expense limit of \$10,000 for any one person.

The District also has violence coverage with a plan aggregate limit of \$5,000,000.

The District has cyber coverage with limits up to \$1,000,000.

The District has pollution incident coverage with limits up to \$1,000,000.

There was no reduction in coverage from the prior fiscal year.

B. Mahoning County School Employees Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for thirteen member school districts. The plan was organized to provide health care and other benefits to its member organizations.

The District pays 90% of the medical insurance premiums and 100% of the dental and drug insurance premiums for all full-time employees. This percentage is pro-rated for part-time employees.

The health and dental coverage is administered by Medical Mutual of Ohio, a third party administrator. Humana Specialty Benefits provides the life insurance coverage.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 2.A). The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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 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.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$191,634 for fiscal year 2017. Of this amount, \$11,553 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$684,717 for fiscal year 2017. Of this amount, \$115,848 is reported as pension and postemployment benefits 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04073710%	0.04447196%	
Proportion of the net pension liability current measurement date	<u>0.04171600%</u>	<u>0.04471998%</u>	
Change in proportionate share	<u>0.00097890%</u>	<u>0.00024802%</u>	
Proportionate share of the net pension liability	\$ 3,053,226	\$ 14,969,125	\$ 18,022,351
Pension expense	\$ 286,339	\$ 1,059,704	\$ 1,346,043

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 41,181	\$ 604,824	\$ 646,005
Net difference between projected and actual earnings on pension plan investments	251,845	1,242,840	1,494,685
Changes of assumptions	203,819	-	203,819
Difference between District contributions and proportionate share of contributions/ change in proportionate share	45,191	64,344	109,535
District contributions subsequent to the measurement date	<u>191,634</u>	<u>684,717</u>	<u>876,351</u>
Total deferred outflows of resources	<u>\$ 733,670</u>	<u>\$ 2,596,725</u>	<u>\$ 3,330,395</u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 68,070</u>	<u>\$ 98,309</u>	<u>\$ 166,379</u>
Total deferred inflows of resources	<u>\$ 68,070</u>	<u>\$ 98,309</u>	<u>\$ 166,379</u>

\$876,351 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 108,987	\$ 275,857	\$ 384,844
2019	108,803	275,856	384,659
2020	183,782	752,769	936,551
2021	<u>72,394</u>	<u>509,217</u>	<u>581,611</u>
Total	<u>\$ 473,966</u>	<u>\$ 1,813,699</u>	<u>\$ 2,287,665</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 4,042,281	\$ 3,053,226	\$ 2,225,346

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
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, 2016, 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:

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 19,892,751	\$ 14,969,125	\$ 10,815,757

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$23,571.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$23,571, \$21,539, and \$32,237, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,351
Net adjustment for revenue accruals	23,757
Net adjustment for expenditure accruals	(56,185)
Net adjustment for other sources/uses	57,025
Funds budgeted elsewhere	1,556
Adjustment for encumbrances	45,828
GAAP basis	\$ 73,332

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, rotary fund, public school support fund, and State/political subdivision fund.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not involved in material litigation as either plaintiff or defendant.

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2017, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. This amount has not been included in the financial statements as it is not material to the financial statements.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	191,245
Current year qualifying expenditures	(292,148)
Current year offsets	<u>(673,577)</u>
Total	<u>\$ (774,480)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 16 - SET-ASIDES - (Continued)

During fiscal year 2014, the District issued \$6,398,259 in capital related classroom facilities improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$6,398,259 at June 30, 2017.

NOTE 17 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax on the November 2, 2004 election that became effective on January 1, 2005. This income tax was effective for five years. On May 5, 2015, the school district income tax was renewed for an additional period of five years, beginning August 31, 2014. Income tax revenue credited to the general fund during fiscal year 2017 was \$2,129,924.

NOTE 18 - OTHER COMMITMENTS

The 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 District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year End Encumbrances</u>
General fund	\$ 35,120
Permanent improvement fund	<u>159,090</u>
Total	<u>\$ 194,210</u>

NOTE 19 - OPERATING LEASE - LESSOR DISCLOSURE

The District is the lessor of oil and gas rights on certain land parcels owned by the District to Chesapeake Energy. The lease agreement is from February 17, 2012 through February 17, 2017. The District received \$488,250 in the general fund at the execution of the lease. The District will also receive a 20 percent royalty on any oil or gas that is produced from the land parcels. During fiscal year 2017, the District did not receive any royalties related to the lease agreement.

NOTE 20 – SUBSEQUENT EVENTS

On October 17, 2017, the District issued \$6,225,000 of classroom facilities improvement refunding bonds. These bonds are comprised of serial and term bonds, and refunded the series 2013 classroom facilities improvement bonds. The new bonds have varying interest rates and mature on November 1, 2049.

The District refinanced its 2012 Lease-Purchase Agreement with the Ohio School Building Leasing Corporation on October 3, 2017. The purpose of this lease-purchase agreement is to improve the middle and high school campuses, as well as the athletics facilities complex. The agreement bears interest at a rate of 2.1472% and matures on June 1, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04171600%	0.04073710%	0.04334500%	0.04334500%
District's proportionate share of the net pension liability	\$ 3,053,226	\$ 2,324,498	\$ 2,193,666	\$ 2,577,588
District's covered payroll	\$ 1,331,236	\$ 1,226,404	\$ 1,259,531	\$ 1,298,829
District's proportionate share of the net pension liability as a percentage of its covered payroll	229.35%	189.54%	174.17%	198.45%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04471998%	0.04447196%	0.04506883%	0.04506883%
District's proportionate share of the net pension liability	\$ 14,969,125	\$ 12,290,749	\$ 10,962,299	\$ 13,058,219
District's covered payroll	\$ 4,777,400	\$ 4,688,414	\$ 4,604,792	\$ 4,926,654
District's proportionate share of the net pension liability as a percentage of its covered payroll	313.33%	262.15%	238.06%	265.05%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 191,634	\$ 186,373	\$ 161,640	\$ 174,571
Contributions in relation to the contractually required contribution	<u>(191,634)</u>	<u>(186,373)</u>	<u>(161,640)</u>	<u>(174,571)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,368,814	\$ 1,331,236	\$ 1,226,404	\$ 1,259,531
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 179,758	\$ 168,282	\$ 146,771	\$ 154,088	\$ 107,943	\$ 104,702
<u>(179,758)</u>	<u>(168,282)</u>	<u>(146,771)</u>	<u>(154,088)</u>	<u>(107,943)</u>	<u>(104,702)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,298,829	\$ 1,251,167	\$ 1,167,629	\$ 1,138,021	\$ 1,096,982	\$ 1,066,212
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 684,717	\$ 668,836	\$ 656,378	\$ 598,623
Contributions in relation to the contractually required contribution	<u>(684,717)</u>	<u>(668,836)</u>	<u>(656,378)</u>	<u>(598,623)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,890,836	\$ 4,777,400	\$ 4,688,414	\$ 4,604,792
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 640,465	\$ 629,133	\$ 640,241	\$ 630,658	\$ 604,434	\$ 609,831
<u>(640,465)</u>	<u>(629,133)</u>	<u>(640,241)</u>	<u>(630,658)</u>	<u>(604,434)</u>	<u>(609,831)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,926,654	\$ 4,839,485	\$ 4,924,931	\$ 4,851,215	\$ 4,649,492	\$ 4,691,008
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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



Dave Yost • Auditor of State

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

Springfield Local School District
Mahoning County
11335 Youngstown-Pittsburgh Road
PO Box 549
New Middletown, Ohio 44442

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 4, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 4, 2018



Dave Yost • Auditor of State

SPRINGFIELD LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 24, 2018**