



Dave Yost • Auditor of State

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 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 Springfield Local School District, Summit County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows 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.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 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.

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

March 7, 2018

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Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position decreased \$3,579,091 which represents a 32 percent decrease from 2016.
- Capital assets decreased \$1,332,502 during fiscal year 2017.
- During the fiscal year, outstanding debt decreased from \$31,879,421 to \$31,814,794 due to principal payments made by the School District.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 22.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	\$ 28,091,712	\$ 27,110,546
Capital Assets	44,533,229	45,865,731
<i>Total Assets</i>	<i>72,624,941</i>	<i>72,976,277</i>
Deferred Outflows of Resources		
Pension	8,294,344	3,930,627
Liabilities		
Other Liabilities	4,765,392	4,662,181
Long-Term Liabilities		
Due Within One Year	69,890	61,420
Due in More Than One Year		
Net Pension Liability	45,458,014	37,538,637
Other Amounts	33,198,709	33,173,114
<i>Total Liabilities</i>	<i>83,492,005</i>	<i>75,435,352</i>
Deferred Inflows of Resources		
Property Taxes and Other	12,055,999	10,343,436
Pension	232,362	2,410,106
<i>Total Deferred Inflows of Resources</i>	<i>12,288,361</i>	<i>12,753,542</i>
Net Position		
Net Investment in Capital Assets	12,718,435	13,986,310
Restricted	4,234,215	3,659,707
Unrestricted	(31,813,731)	(28,928,007)
<i>Total Net Position</i>	<i>\$ (14,861,081)</i>	<i>\$ (11,281,990)</i>

Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

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

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

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

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

Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

At year end, capital assets represented 61 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Net investment in capital assets was \$12,718,435 at June 30, 2017. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The portion of the School District's cash that is being held as restricted increased by \$770,000. This is due to the School District's requirement to set aside money to pay a future debt obligation.

A portion of the School District's net position, \$4,234,215 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$31,813,731, which is primarily caused by GASB 68.

The increase in deferred inflows of resources from property taxes levied for next year is due to a change in the amount available for advance.

The increase in deferred outflows-pension and net pension liability, and the decrease in deferred inflows-pension were due to GASB Statement No. 68.

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Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 3,185,391	\$ 2,957,066
Operating Grants, Contributions and Interest	3,737,782	3,708,449
<i>Total Program Revenues</i>	<u>6,923,173</u>	<u>6,665,515</u>
<i>General Revenues:</i>		
Property Taxes	11,998,290	13,481,131
Grants and Entitlements Not Restricted	12,333,305	13,335,029
Other	136,010	131,531
<i>Total General Revenues</i>	<u>24,467,605</u>	<u>26,947,691</u>
<i>Total Revenues</i>	<u>31,390,778</u>	<u>33,613,206</u>
Program Expenses		
Instruction:		
Regular	13,765,691	12,956,978
Special	3,795,946	3,730,697
Vocational	317,422	294,329
Student Intervention Services	285,836	0
Other	2,521,403	2,019,232
Support Services:		
Pupils	1,572,208	1,453,845
Instructional Staff	1,458,617	1,369,672
Board of Education	41,036	34,685
Administration	2,030,937	1,808,228
Fiscal	721,072	707,826
Business	182,957	161,397
Operation and Maintenance of Plant	2,413,124	2,477,566
Pupil Transportation	1,567,136	1,502,553
Central	90,567	60,280
Operation of Non-Instructional Services:		
Food Service Operations	871,209	914,773
Community Services	365,371	196,770
Extracurricular Activities	1,176,951	1,029,820
Debt Service:		
Interest and Fiscal Charges	1,792,386	1,946,915
<i>Total Expenses</i>	<u>34,969,869</u>	<u>32,665,566</u>
<i>Increase in Net Position</i>	<u>(3,579,091)</u>	<u>947,640</u>
<i>Net Position at Beginning of Year</i>	<u>(11,281,990)</u>	<u>(12,229,630)</u>
<i>Net Position at End of Year</i>	<u>\$ (14,861,081)</u>	<u>\$ (11,281,990)</u>

Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The decrease in property taxes is due to the decrease in the amount available for advance.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2017	2016	2017	2016
Instruction:				
Regular	\$ 13,765,691	\$ 12,956,978	\$ 11,068,305	\$ 10,432,713
Special	3,795,946	3,730,697	1,241,887	1,336,035
Vocational	317,422	294,329	275,443	266,124
Student Intervention Services	285,836	0	285,836	0
Other	2,521,403	2,019,232	2,521,403	2,019,232
Support Services:				
Pupils	1,572,208	1,453,845	1,561,285	1,453,845
Instructional Staff	1,458,617	1,369,672	1,441,494	1,352,919
Board of Education	41,036	34,685	41,036	34,685
Administration	2,030,937	1,808,228	2,002,631	1,751,593
Fiscal	721,072	707,826	721,072	707,826
Business	182,957	161,397	182,957	161,397
Operation and Maintenance of Plant	2,413,124	2,477,566	2,389,890	2,453,971
Pupil Transportation	1,567,136	1,502,553	1,429,178	1,376,306
Central	90,567	60,280	90,567	60,280
Operation of Non-Instructional Services:				
Food Service Operations	871,209	914,773	80,791	41,365
Community Services	365,371	196,770	69,253	(70,590)
Extracurricular Activities	1,176,951	1,029,820	851,282	675,435
Debt Service:				
Interest and Fiscal Charges	1,792,386	1,946,915	1,792,386	1,946,915
<i>Total Expenses</i>	\$ 34,969,869	\$ 32,665,566	\$ 28,046,696	\$ 26,000,051

The dependence upon general revenues for governmental activities is apparent. 80 percent of governmental activities are supported through taxes and other general revenues; such revenues are 78 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$31,153,305 and expenditures of \$32,500,199 for fiscal year 2017.

The general fund's net change in fund balance for fiscal year 2017 was a decrease of \$1,879,473. This was primarily the result of a decrease in property tax revenue.

The fund balance of the debt service fund increased by \$603,391 due to the timing of real estate tax collections versus scheduled debt payments.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, final budget basis revenue of \$25,988,721 was \$780,435 less than the actual revenues of \$26,769,156.

Final appropriations of \$28,088,705 were \$975,364 higher than the actual expenditures of \$27,113,341 as cost savings were recognized for instruction and support services expenditures throughout the fiscal year.

There were no significant variances noted within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$44,533,229 invested in capital assets. Table 4 shows fiscal year 2017 balances compared with 2016.

Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

	Governmental Activities	
	2017	2016
Land	\$ 583,510	\$ 583,510
Land Improvements	819,765	859,026
Buildings and Improvements	41,310,295	42,444,733
Furniture and Fixtures	1,055,566	1,019,904
Vehicles	41,264	49,781
Textbooks	722,829	908,777
<i>Totals</i>	\$ 44,533,229	\$ 45,865,731

The \$1,332,502 decrease in capital assets was attributable to depreciation expense exceeding current year acquisitions. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2017, the School District had \$31,814,794 in loans and bonds outstanding. See Note 15 for additional details. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2017	2016
School Facilities Improvement Bonds (BAB)	\$ 20,200,000	\$ 20,200,000
School Facilities Improvement Bonds (QSCB)	11,260,000	11,260,000
Unamortized Premium	332,001	343,449
Loan Payable	22,793	75,972
<i>Total</i>	\$ 31,814,794	\$ 31,879,421

Current Issues

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

Springfield Local School District
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 38 percent of revenues for governmental activities for the School District in fiscal year 2017.

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

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

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

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

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

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

Springfield Local School District
Summit County, Ohio
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 11,494,683
Restricted Cash and Investments	1,070,000
Receivables:	
Intergovernmental	1,134,462
Property Taxes	14,354,392
Prepays	38,175
Nondepreciable Capital Assets	583,510
Depreciable Capital Assets (Net)	43,949,719
<i>Total Assets</i>	72,624,941
 Deferred Outflows of Resources	
Pension	8,294,344
 Liabilities	
Accounts Payable	2,762
Accrued Wages and Benefits	3,031,957
Intergovernmental Payable	710,960
Accrued Vacation Leave Payable	189,439
Accrued Interest Payable	600,587
Claims Payable	229,687
Long Term Liabilities:	
Due Within One Year	69,890
Due In More Than One Year:	
Net Pension Liability (See Note 12)	45,458,014
Other Amonts Due in More Than One Year	33,198,709
<i>Total Liabilities</i>	83,492,005
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	12,055,999
Pension	232,362
<i>Total Deferred Inflows of Resources</i>	12,288,361
 Net Position	
Net Investment in Capital Assets	12,718,435
Restricted For:	
Capital Outlay	1,709,026
Debt Service	1,433,809
Other Purposes	1,091,380
Unrestricted	(31,813,731)
<i>Total Net Position</i>	\$ (14,861,081)

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 13,765,691	\$ 2,529,210	\$ 168,176	\$ (11,068,305)
Special	3,795,946	164,342	2,389,717	(1,241,887)
Vocational	317,422	0	41,979	(275,443)
Student Intervention Services	285,836	0	0	(285,836)
Other	2,521,403	0	0	(2,521,403)
Support Services:				
Pupils	1,572,208	0	10,923	(1,561,285)
Instructional Staff	1,458,617	0	17,123	(1,441,494)
Board of Education	41,036	0	0	(41,036)
Administration	2,030,937	0	28,306	(2,002,631)
Fiscal	721,072	0	0	(721,072)
Business	182,957	0	0	(182,957)
Operation and Maintenance of Plant	2,413,124	0	23,234	(2,389,890)
Pupil Transportation	1,567,136	0	137,958	(1,429,178)
Central	90,567	0	0	(90,567)
Operation of Non-Instructional Services:				
Food Service Operations	871,209	166,170	624,248	(80,791)
Community Services	365,371	0	296,118	(69,253)
Extracurricular Activities	1,176,951	325,669	0	(851,282)
Interest and Fiscal Charges	1,792,386	0	0	(1,792,386)
Total	\$ 34,969,869	\$ 3,185,391	\$ 3,737,782	(28,046,696)

General Revenues

Property Taxes Levied for:

General Purposes	9,534,145
Debt Service	2,110,203
Capital Outlay	216,647
Classroom Facilities Maintenance	137,295
Grants and Entitlements Not Restricted to Specific Programs	12,333,305
Investment Earnings	68,766
Miscellaneous	67,244
Total General Revenues	24,467,605

Change in Net Position (3,579,091)

Net Position Beginning of Year (11,281,990)

Net Position End of Year \$ (14,861,081)

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 7,474,993	\$ 545,535	\$ 2,670,849	\$ 10,691,377
Restricted Cash and Investments	0	1,070,000	0	1,070,000
Receivables:				
Interfund	94,601	0	0	94,601
Intergovernmental	852,261	0	282,201	1,134,462
Property Taxes	11,381,915	2,556,382	416,095	14,354,392
Prepaid Items	37,240	0	935	38,175
<i>Total Assets</i>	<u>\$ 19,841,010</u>	<u>\$ 4,171,917</u>	<u>\$ 3,370,080</u>	<u>\$ 27,383,007</u>
Liabilities				
Accounts Payable	\$ 2,230	\$ 0	\$ 532	\$ 2,762
Accrued Wages and Benefits	2,773,477	0	258,480	3,031,957
Intergovernmental Payable	693,555	0	17,405	710,960
Interfund Payable	0	0	94,601	94,601
<i>Total Liabilities</i>	<u>3,469,262</u>	<u>0</u>	<u>371,018</u>	<u>3,840,280</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	9,564,691	2,137,521	353,787	12,055,999
Unavailable Revenue	1,227,047	169,142	306,728	1,702,917
<i>Total Deferred Inflows of Resources</i>	<u>10,791,738</u>	<u>2,306,663</u>	<u>660,515</u>	<u>13,758,916</u>
Fund Balances				
Nonspendable	5,242	0	0	5,242
Restricted	0	1,865,254	2,707,455	4,572,709
Assigned	3,095,247	0	0	3,095,247
Unassigned	2,479,521	0	(368,908)	2,110,613
<i>Total Fund Balances</i>	<u>5,580,010</u>	<u>1,865,254</u>	<u>2,338,547</u>	<u>9,783,811</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 19,841,010</u>	<u>\$ 4,171,917</u>	<u>\$ 3,370,080</u>	<u>\$ 27,383,007</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		\$ 9,783,811
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		44,533,229
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 281,558	
Excess Costs	493,123	
Property Taxes	928,236	1,702,917
 An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		573,619
 In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		
		(600,587)
 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	8,294,344	
Deferred Inflows - Pension	(232,362)	
Net Pension Liability	(45,458,014)	(37,396,032)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
OFCC Build America Bonds	(20,200,000)	
OFCC Qualified School Construction Bonds	(11,260,000)	
Loan Payable	(22,793)	
Bond Premium	(332,001)	
Vacations Payable	(189,439)	
Compensated Absences	(1,453,805)	(33,458,038)
 <i>Net Position of Governmental Activities</i>		 \$ (14,861,081)

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 9,556,337	\$ 2,108,537	\$ 354,999	\$ 12,019,873
Intergovernmental	13,415,507	345,631	2,321,182	16,082,320
Investment Income	68,555	0	211	68,766
Tuition and Fees	2,347,905	0	0	2,347,905
Extracurricular Activities	140,894	0	184,774	325,668
Rentals	73,784	0	0	73,784
Charges for Services	0	0	166,170	166,170
Contributions and Donations	1,575	0	0	1,575
Miscellaneous	67,244	0	0	67,244
<i>Total Revenues</i>	<u>25,671,801</u>	<u>2,454,168</u>	<u>3,027,336</u>	<u>31,153,305</u>
Expenditures				
Current:				
Instruction:				
Regular	11,878,560	0	188,379	12,066,939
Special	2,569,342	0	1,160,376	3,729,718
Vocational	290,942	0	0	290,942
Student Intervention Services	285,836	0	0	285,836
Other	2,521,403	0	0	2,521,403
Support Services:				
Pupils	1,469,304	0	11,453	1,480,757
Instructional Staff	1,350,295	0	18,157	1,368,452
Board of Education	39,996	0	0	39,996
Administration	1,825,699	0	29,458	1,855,157
Fiscal	701,576	0	0	701,576
Business	167,490	0	0	167,490
Operation and Maintenance of Plant	2,117,721	0	2,343	2,120,064
Pupil Transportation	1,550,603	0	2,174	1,552,777
Central	90,567	0	0	90,567
Extracurricular Activities	661,529	0	198,174	859,703
Operation of Non-Instructional Services:				
Food Service Operations	0	0	848,536	848,536
Community Services	0	0	364,484	364,484
Capital Outlay	15,247	49,014	234,528	298,789
Debt Service:				
Principal Retirement	0	0	53,179	53,179
Interest and Fiscal Charges	0	1,801,763	2,071	1,803,834
<i>Total Expenditures</i>	<u>27,536,110</u>	<u>1,850,777</u>	<u>3,113,312</u>	<u>32,500,199</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,864,309)</u>	<u>603,391</u>	<u>(85,976)</u>	<u>(1,346,894)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	11,284	11,284
Transfers Out	(15,164)	0	0	(15,164)
<i>Total Other Financing Sources (Uses)</i>	<u>(15,164)</u>	<u>0</u>	<u>11,284</u>	<u>(3,880)</u>
<i>Net Change in Fund Balance</i>	(1,879,473)	603,391	(74,692)	(1,350,774)
<i>Fund Balances Beginning of Year</i>	<u>7,459,483</u>	<u>1,261,863</u>	<u>2,413,239</u>	<u>11,134,585</u>
<i>Fund Balances End of Year</i>	<u>\$ 5,580,010</u>	<u>\$ 1,865,254</u>	<u>\$ 2,338,547</u>	<u>\$ 9,783,811</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio

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

Net Change in Fund Balances - Total Governmental Funds	\$	(1,350,774)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 436,493	
Current Year Depreciation	<u>(1,768,995)</u>	(1,332,502)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(12,809)	
Excess Costs	271,864	
Property tax	<u>(21,582)</u>	237,473
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Loan Principal		53,179
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		2,216,734
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(3,594,650)
In the statement of activities, interest is accrued on outstanding debt, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Amortization of Premium on Bonds		11,448
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		304,107
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(98,692)	
Vacations Payable	<u>(25,414)</u>	<u>(124,106)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>(3,579,091)</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 10,470,237	\$ 10,525,569	\$ 10,699,763	\$ 174,194
Intergovernmental	13,172,103	13,240,823	13,288,644	47,821
Investment Income	(200,000)	(200,000)	118,214	318,214
Tuition and Fees	2,331,649	2,344,691	2,522,068	177,377
Rentals	67,257	67,638	73,784	6,146
Charges for Services	10,000	10,000	0	(10,000)
Miscellaneous	0	0	66,683	66,683
<i>Total Revenues</i>	<u>25,851,246</u>	<u>25,988,721</u>	<u>26,769,156</u>	<u>780,435</u>
Expenditures				
Current:				
Instruction:				
Regular	12,375,688	12,373,688	11,848,988	524,700
Special	2,832,384	2,832,384	2,579,447	252,937
Vocational	306,276	306,276	289,943	16,333
Other	2,337,434	2,337,434	2,521,403	(183,969)
Support Services:				
Pupils	1,561,594	1,561,594	1,462,757	98,837
Instructional Staff	1,359,939	1,361,939	1,349,233	12,706
Board of Education	35,889	35,889	40,198	(4,309)
Administration	1,903,034	1,903,034	1,824,109	78,925
Fiscal	753,722	753,722	694,596	59,126
Business	176,150	176,150	168,250	7,900
Operation and Maintenance of Plant	2,214,975	2,214,975	2,144,258	70,717
Pupil Transportation	1,608,501	1,608,501	1,566,569	41,932
Central	61,486	61,486	90,567	(29,081)
Extracurricular Activities	532,478	532,478	515,545	16,933
Capital Outlay	29,155	29,155	17,478	11,677
<i>Total Expenditures</i>	<u>28,088,705</u>	<u>28,088,705</u>	<u>27,113,341</u>	<u>975,364</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,237,459)</u>	<u>(2,099,984)</u>	<u>(344,185)</u>	<u>1,755,799</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(61,333)	(61,333)	(15,164)	46,169
<i>Total Other Financing Sources (Uses)</i>	<u>(61,333)</u>	<u>(61,333)</u>	<u>(15,164)</u>	<u>46,169</u>
<i>Net Change in Fund Balance</i>	(2,298,792)	(2,161,317)	(359,349)	1,671,696
<i>Fund Balance Beginning of Year</i>	7,750,814	7,750,814	7,750,814	0
Prior Year Encumbrances Appropriated	59,182	59,182	59,182	0
<i>Fund Balance End of Year</i>	<u>\$ 5,511,204</u>	<u>\$ 5,648,679</u>	<u>\$ 7,450,647</u>	<u>\$ 1,671,696</u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	<u>\$ 803,306</u>
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>229,687</u>
Net Position	
Unrestricted	<u><u>\$ 573,619</u></u>

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for Services	\$ 4,078,943
Other	200
<i>Total Operating Revenues</i>	4,079,143
Operating Expenses	
Purchased Services	863,140
Claims	2,915,776
<i>Total Operating Expenses</i>	3,778,916
<i>Income Before Transfers</i>	300,227
Transfers In	3,880
<i>Change in Net Position</i>	304,107
<i>Net Position Beginning of Year</i>	269,512
<i>Net Position End of Year</i>	\$ 573,619

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash Received from Internal Services Provided	\$ 4,078,943
Other Cash Receipts	200
Cash Paid for Goods and Services	(863,140)
Cash Paid for Claims	(3,240,490)
<i>Net Cash Used for Operating Activities</i>	(24,487)
 Cash Flows From Non-Capital Financing Activities	
Transfers from Other Funds	3,880
<i>Net Decrease in Cash and Investments</i>	(20,607)
 <i>Cash and Investments, Beginning of Year</i>	 823,913
<i>Cash and Investments, End of Year</i>	\$ 803,306
 Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Income	\$ 300,227
Adjustment:	
Decrease in Claims Payable	(324,714)
<i>Net Cash Used For Operating Activities</i>	\$ (24,487)

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 1,648	\$ 48,549
Liabilities		
Undistributed Monies	0	\$ 2,093
Due to Students	0	46,456
<i>Total Liabilities</i>	0	\$ 48,549
Net Position		
Held in Trust for Scholarships	\$ 1,648	

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 5,760
Deductions	
Payments in Accordance with Trust Agreements	5,200
<i>Change in Net Position</i>	560
<i>Net Position Beginning of Year</i>	1,088
<i>Net Position End of Year</i>	\$ 1,648

See accompanying notes to the basic financial statements.

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District

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

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

The School District is located in both Summit and Portage counties in northeastern Ohio. The School District operates two elementary schools (P-3 and K-3), an intermediate school (5-6), and a middle/high school (7-8 and 9-12).

Reporting Entity

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

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

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

The School District participates in one jointly governed organization, the North East Ohio Network for Educational Technology (NEOnet), which is presented in Note 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

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

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

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

C. Measurement Focus

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

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

D. Basis of Accounting

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

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

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

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

E. Cash and Investments

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

During fiscal year 2017, investments were limited to Star Ohio, U.S Treasury, agency securities, corporate bonds, and money market accounts.

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

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

For the 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.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest (including fair market value adjustments for investments). Interest revenue credited to the general fund during fiscal year 2017 amounted to \$68,555 which includes \$21,786 assigned from other School District funds.

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

The School District is also reporting "restricted cash and investments" related to the Qualified School Construction Bonds sinking fund deposits. See Note 15 for further details.

F. Capital Assets

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

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

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

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

G. Interfund Balances

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

H. Compensated Absences

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

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

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

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

I. Pensions

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

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contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Net Position

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

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

L. Fund Balance

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

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

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

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

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

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

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

M. Operating Revenues and Expenses

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

N. Interfund Activity

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

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

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O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

P. Estimates

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

Q. Budgetary Data

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

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

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the School District receives the official Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2017.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any

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fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

R. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (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 disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation 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 School District.

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

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Note 3 – Fund Deficits

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

	Deficit Fund Balance
Nonmajor Governmental Funds:	
Early Childhood Education	\$ 8,203
Food Service	152,575
Title VI-B	98,320
Title I	90,007
Preschool Handicapped	4,458
Title VI-R	15,345

The general fund is liable for any deficit in the funds and will provide transfers when cash is required, not when accruals occur.

Note 4 - Budgetary Basis of Accounting

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

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

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

GAAP Basis	\$ (1,879,473)
Net Adjustment for Revenue Accruals	1,241,419
Net Adjustment for Expenditure Accruals	345,010
Funds Budgeted Elsewhere**	3,126
Adjustment for Encumbrances	<u>(69,434)</u>
Budget Basis	<u>\$ (359,352)</u>

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

Note 5 - Deposits and Investments

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

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

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

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

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

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Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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 40 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$800,322 and the bank balance was \$898,916.

1. \$250,000 was covered by federal depository insurance;
2. \$648,916 was uninsured and uncollateralized. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

S & P Global Rating	Investment Type	Measurement Amount	Investment Maturities			Percent of Total
			12 Months or Less	13 to 36 Months	More Than 36 Months	
AAAm	STAR Ohio	\$ 7,860,192	\$ 7,860,192	\$ 0	\$ 0	66.53%
Aaa	FNMA	744,683	0	498,627	246,056	6.30%
Aaa	FFCB	849,190	600,202	248,988	0	7.19%
N/A	US Treasury Money Market	119,168	119,168	0	0	1.01%
Aaa	Corporate Bonds	2,240,975	0	510,021	1,730,954	18.97%
	Total	\$ 11,814,208	\$ 8,579,562	\$ 1,257,636	\$ 1,977,010	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2, STAR Ohio is reported at its share price. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

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

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

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

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017, is 46 days and carries a rating of AAAM by S&P Global Ratings.

Note 6 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Summit and Portage Counties. The County fiscal officer and Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 in the general, debt service, permanent improvement, and classroom facilities maintenance funds was \$1,083,300, \$249,719, \$20,579 and \$16,559, respectively. The amount available for advance at June 30, 2016, in the general, debt service, permanent improvement, and classroom facilities maintenance funds was \$2,226,726, \$493,551, \$42,743 and \$34,418, respectively. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
	Real Estate	\$ 365,800,840	97.84%	\$ 355,341,480
Public Utility Personal Property	8,032,440	2.16%	8,668,610	2.39%
	\$ 373,833,280	100.00%	\$ 364,010,090	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 56.23		\$ 56.95	

Note 7 – Interfund Activity

A. Interfund Transfers

Transfers made during 2017 were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 0	\$ 15,164
Nonmajor Governmental Funds	11,284	0
Internal Service Fund	3,880	0
Total	\$ 15,164	\$ 15,164

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

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B. Interfund Receivable/Payable

Interfund receivable/payable at June 30, 2017 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 94,601	\$ 0
Nonmajor Governmental Funds:		
Food Services	0	56,815
Early Childhood Education	0	1,351
School Improvement		
Part B IDEA	0	14,575
Title I	0	18,669
Preschool Handicapped	0	664
Title II -A	0	2,527
Total Nonmajor Governmental Funds	0	94,601
Totals	\$ 94,601	\$ 94,601

Note 8 – Receivables

Receivables at June 30, 2017 consisted of taxes, interfund and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<i>Major Governmental Funds:</i>	<i>Amount</i>
General Fund:	
Excess Costs	\$ 493,123
FTE Receivable	51,689
SERS Reimbursement	5,781
Federal Interest Subsidy	301,668
<i>Total General Fund</i>	852,261
<i>Nonmajor Governmental Funds:</i>	
SERS Reimbursement	643
Early Childhood Education Grant	35,121
IDEA Part B Grant	104,623
Title II-A Grant	111,647
Early Childhood Special Ed Grant	3,922
Title I Grant	26,241
High Schools That Work	4
<i>Total Nonmajor Governmental Funds</i>	282,201
Total Intergovernmental Receivables	\$ 1,134,462

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Note 9 - Capital Assets

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

	Beginning Balance 6/30/16	Additions	Reductions	Balance 6/30/17
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 583,510	\$ 0	\$ 0	\$ 583,510
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,523,931	38,351	0	1,562,282
Buildings and Improvements	48,439,948	14,589	0	48,454,537
Furniture and Equipment	2,364,581	348,586	0	2,713,167
Vehicles	190,933	13,000	0	203,933
Textbooks	1,501,726	21,967	0	1,523,693
Total Capital Assets, being depreciated	<u>54,021,119</u>	<u>436,493</u>	<u>0</u>	<u>54,457,612</u>
Less Accumulated Depreciation:				
Land Improvements	(664,905)	(77,612)	0	(742,517)
Buildings and Improvements	(5,995,215)	(1,149,027)	0	(7,144,242)
Furniture and Equipment	(1,344,677)	(312,924)	0	(1,657,601)
Vehicles	(141,152)	(21,517)	0	(162,669)
Textbooks	(592,949)	(207,915)	0	(800,864)
Total Accumulated Depreciation	<u>(8,738,898)</u>	<u>(1,768,995)</u>	<u>0</u>	<u>(10,507,893)</u>
Total Capital Assets being depreciated, net	<u>45,282,221</u>	<u>(1,332,502)</u>	<u>0</u>	<u>43,949,719</u>
Governmental Capital Assets, net	<u>\$ 45,865,731</u>	<u>\$ (1,332,502)</u>	<u>\$ 0</u>	<u>\$ 44,533,229</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,259,334
Special	3,727
Vocational	6,223
Support Services:	
Pupil	8,932
Instructional Staff	67,143
Administration	35,918
Fiscal	3,724
Operation and Maintenance of Plant	132,856
Pupil Transportation	17,434
Food Service Operations	47,735
Community Service	887
Extracurricular Activities	<u>185,082</u>
Total Depreciation	<u><u>\$ 1,768,995</u></u>

Note 10 – Risk Management

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

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

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

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

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2017, a total expense of \$3,778,916 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$100,000. The liability for unpaid claims cost of \$229,687 reported in the fund at June 30, 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

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Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

Changes in the fund's claims liability amount in 2017 and 2016 were:

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2016	\$ 284,831	\$ 3,847,004	\$ 3,577,434	\$ 554,401
2017	\$ 554,401	\$ 2,915,776	\$ 3,240,490	\$ 229,687

Note 11 – Compensated Absences

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

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

Note 12 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was \$520,033 for fiscal year 2017. Of this amount, \$47,440 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS

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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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The School District's contractually required contribution to STRS was \$1,696,701 for fiscal year 2017. Of this amount, \$281,752 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows/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 independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 36,979,229	\$ 8,478,785	\$ 45,458,014
Proportion of the Net Pension Liability:			
Current Measurement Date	0.11047475%	0.11584500%	
Prior Measurement Date	0.11129227%	0.11883270%	
Change in Proportionate Share	-0.00081752%	-0.00298770%	
 Pension Expense	 \$ 2,713,103	 \$ 881,547	 \$ 3,594,650

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred

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inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

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

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 1,494,138	\$ 114,358	\$ 1,608,496
Net Difference between Projected and Actual Earnings on Pension Plan Investments	3,070,269	699,377	3,769,646
Changes of Assumptions	0	566,005	566,005
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	85,107	48,356	133,463
School District Contributions Subsequent to the Measurement Date	<u>1,696,701</u>	<u>520,033</u>	<u>2,216,734</u>
Total Deferred Outflows of Resources	<u>\$ 6,346,215</u>	<u>\$ 1,948,129</u>	<u>\$ 8,294,344</u>
Deferred Inflows of Resources			
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>\$ 149,556</u>	<u>\$ 82,806</u>	<u>\$ 232,362</u>

\$2,216,734 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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>STRS</u>	<u>SERS</u>	<u>Total</u>
2018	\$ 713,664	\$ 337,519	\$ 1,051,183
2019	713,661	337,013	1,050,674
2020	1,891,813	469,716	2,361,529
2021	<u>1,180,820</u>	<u>201,042</u>	<u>1,381,862</u>
	<u>\$ 4,499,958</u>	<u>\$ 1,345,290</u>	<u>\$ 5,845,248</u>

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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	3.00 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

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The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target 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 Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<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 previous 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 earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what 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>
School District's Proportionate Share of the Net Pension Liability	\$ 11,225,383	\$ 8,478,785	\$ 6,179,768

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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 Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences on the fifth anniversary of the 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 no set back from age 90 and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected 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	<u>1.00</u>	<u>3.00</u>
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 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

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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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$ 49,142,390	\$ 36,979,229	\$ 26,718,885

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 School District's net pension liability is expected to be significant.

Note 13 - Postemployment Benefits

A. School Employees Retirement System

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

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$60,408.

For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$93,442. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

Note 14 – Contingencies

A. Grants

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

B. Litigation

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

C. School District Funding

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2017 are finalized. As a result, the net impact of the FTE adjustments on the fiscal year 2017 financial statements was a receivable of the School District.

Note 15 - Long - Term Obligations

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

	Outstanding 6/30/16	Additions	Reductions	Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities:					
<i>School Facilities Improvement Bonds</i>					
Series 2010B Build America Bonds	\$ 20,200,000	\$ 0	\$ 0	\$ 20,200,000	\$ 0
Series 2010C Qualified School Construction Bonds	11,260,000	0	0	11,260,000	0
Unamortized Premium	343,449	0	(11,448)	332,001	0
<i>Total School Facilities Improvement Bonds</i>	<u>31,803,449</u>	<u>0</u>	<u>(11,448)</u>	<u>31,792,001</u>	<u>0</u>
<i>Net Pension Liability</i>					
STRS	30,757,928	6,221,301	0	36,979,229	0
SERS	6,780,709	1,698,076	0	8,478,785	0
<i>Total Net Pension Liability</i>	<u>37,538,637</u>	<u>7,919,377</u>	<u>0</u>	<u>45,458,014</u>	<u>0</u>
<i>Other Long-Term Liabilities</i>					
Loan Payable	75,972	0	(53,179)	22,793	22,793
Compensated Absences	1,355,113	164,651	(65,959)	1,453,805	47,097
<i>Total Other Long-Term Liabilities</i>	<u>1,431,085</u>	<u>164,651</u>	<u>(119,138)</u>	<u>1,476,598</u>	<u>69,890</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 70,773,171</u>	<u>\$ 8,084,028</u>	<u>\$ (130,586)</u>	<u>\$ 78,726,613</u>	<u>\$ 69,890</u>

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

School Facilities Improvement General Obligation Bonds

On August 31, 2010, the School District issued \$33,724,861 in voted general obligation bonds for the purpose of constructing, furnishing, equipping and improving a new school building for grades 7 through 12 along with related abatement and demolition, and other school district building improvements. The bond issue included a current interest bond in the amount of \$1,540,000 and two capital appreciation bonds in the amount of \$496,934 (matured in fiscal year 2013) and \$227,927 (matured in fiscal year 2014), respectively. The issuance also included federally taxable Build America Bonds for \$20,200,000 and federally taxable qualified school construction bonds for \$11,260,000. The bonds were issued with a premium of \$412,137, which was reported as an increase to long-term debt. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The amortization for June 30, 2017 was \$11,448. The bonds will be retired with a voted property tax levy from the bond retirement debt service fund.

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

September 1 of year	Amount Due	Amount Deposited
2015	\$ 300,000	\$ 300,000
2016	770,000	770,000
2017	780,000	0
2018	830,000	0
2019	845,000	0
2020	855,000	0
2021	910,000	0
2022	925,000	0
2023	935,000	0
2024	995,000	0
2025	1,010,000	0
2026	1,025,000	0
2027	1,080,000	0
	<u>\$ 11,260,000</u>	<u>\$ 1,070,000</u>

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

Loan Payable

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

Principal and interest requirements to retire the long-term note and general obligation bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Build America		Qualified School Construction	
	Principal	Interest	Principal	Interest
2018	\$ 0	\$ 1,210,612	\$ 0	\$ 591,150
2019	0	1,210,612	0	591,150
2020	0	1,210,612	0	591,150
2021	0	1,210,612	0	591,150
2022	0	1,210,612	0	591,150
2023 - 2027	0	6,053,065	0	2,955,750
2028 - 2032	4,200,000	5,594,284	11,260,000	295,575
2033 - 2037	6,620,000	3,928,873	0	0
2038 - 2042	7,980,000	1,669,981	0	0
2043	1,400,000	44,101	0	0
Totals	<u>\$ 20,200,000</u>	<u>\$ 23,343,364</u>	<u>\$ 11,260,000</u>	<u>\$ 6,207,075</u>

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Principal and interest requirements to retire the loan payable outstanding at June 30, 2017 are as follows:

Fiscal Year	Loan Payable		
Ending June 30,	Principal	Interest	Total
2018	<u>\$ 22,793</u>	<u>\$ 228</u>	<u>\$ 23,021</u>

Note 16 – North East Ohio Network for Educational Technology

The North East Ohio Network for Educational Technology (NEOnet) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEOnet based on a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEOnet is governed by a board of directors chosen from the general membership of the NEOnet assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the North East Ohio Network for Educational Technology, 5121 Mahoning Avenue, suite 102, Austintown, Ohio 44515. During the fiscal year ended June 30, 2017, the School District paid \$118,533 to NEOnet for basic service charges.

Note 17 – Statutory Reserves

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

Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	Capital Improvement Reserve
Set-Aside Restricted Balance as of June 30, 2016	\$ 0
Current Year Set-Aside Requirement	404,390
Current Year Offsets	(447,694)
Total	\$ (43,304)
Balance Carried Forward to Fiscal Year 2018	\$ 0
Set-aside Restricted Balance June 30, 2017	\$ 0

Although the School District had offsets (permanent improvement and classroom facilities maintenance property tax levy proceeds) during the fiscal year that reduced the set-aside amount to below zero for the capital improvement set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 18 – Fund Balance

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

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Springfield Local School District
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	\$ 5,242	\$ 0	\$ 0	\$ 5,242
Restricted for:				
Debt Service	0	1,865,254	0	1,865,254
Capital Outlay	0	0	2,579,369	2,579,369
Management Info Systems	0	0	6,083	6,083
Federal and State Grant Programs	0	0	3,394	3,394
Athletics	0	0	55,039	55,039
Other Grants	0	0	63,570	63,570
Total Restricted	0	1,865,254	2,707,455	4,572,709
Assigned for:				
Encumbrances:				
Instruction	3,851	0	0	3,851
Support Services	63,733	0	0	63,733
Extracurricular	16	0	0	16
Subsequent Year Appropriations	2,927,114	0	0	2,927,114
Other Purposes	100,533	0	0	100,533
Total Assigned	3,095,247	0	0	3,095,247
Unassigned	2,479,521	0	(368,908)	2,110,613
Total Fund Balance	\$ 5,580,010	\$ 1,865,254	\$ 2,338,547	\$ 9,783,811

Note 19 - Other Commitments

Encumbrance Commitments

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

Fund	Amount
General Fund	\$ 67,600
Nonmajor Governmental Funds	63,556
	\$ 131,156

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

	2017	2016	2015	2014
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.11047475%	0.11129227%	0.11079612%	0.11079612%
School District's Proportionate Share of the Net Pension Liability	\$ 36,979,229	\$ 30,757,928	\$ 26,949,451	\$ 32,102,009
School District's Covered Payroll	\$ 11,945,086	\$ 11,841,900	\$ 11,470,269	\$ 12,366,338
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	309.58%	259.74%	234.95%	259.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.11584500%	0.11883270%	0.11722700%	0.11722700%
School District's Proportionate Share of the Net Pension Liability	\$ 8,478,785	\$ 6,780,709	\$ 5,932,792	\$ 6,971,113
School District's Covered Payroll	\$ 4,027,250	\$ 4,055,546	\$ 3,853,896	\$ 3,834,126
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	210.54%	167.20%	153.94%	181.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:

School Employees Retirement System (SERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, retirement and disability to more closely reflect actual experience and the expectation of retired life mortality was based on RP-2014 Blue Collar Mortality Tables and RP-2000 Disabled Mortality Table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 7.75% to 7.50%
- Assumed rate of inflation from 3.25% to 3.00%
- Payroll growth assumption from 4.00% to 3.50%
- Assumed real wage growth from 0.75% to 0.50%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,696,701	\$ 1,672,312	\$ 1,657,866	\$ 1,491,135
Contributions in Relation to the Contractually Required Contribution	<u>(1,696,701)</u>	<u>(1,672,312)</u>	<u>(1,657,866)</u>	<u>(1,491,135)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 12,119,293	\$ 11,945,086	\$ 11,841,900	\$ 11,470,269
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 520,033	\$ 563,815	\$ 534,521	\$ 534,150
Contributions in Relation to the Contractually Required Contribution	<u>(520,033)</u>	<u>(563,815)</u>	<u>(534,521)</u>	<u>(534,150)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 3,714,521	\$ 4,027,250	\$ 4,055,546	\$ 3,853,896
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>
\$ 1,607,624	\$ 1,418,694	\$ 1,418,983	\$ 1,585,101	\$ 1,407,982	\$ 1,676,386
<u>(1,607,624)</u>	<u>(1,418,694)</u>	<u>(1,418,983)</u>	<u>(1,585,101)</u>	<u>(1,407,982)</u>	<u>(1,676,386)</u>
<u>\$ 0</u>					
\$ 12,366,338	\$ 10,913,031	\$ 10,915,254	\$ 12,193,085	\$ 10,830,631	\$ 12,895,277
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 530,643	\$ 554,588	\$ 530,482	\$ 512,531	\$ 469,083	\$ 538,902
<u>(530,643)</u>	<u>(554,588)</u>	<u>(530,482)</u>	<u>(512,531)</u>	<u>(469,083)</u>	<u>(538,902)</u>
<u>\$ 0</u>					
\$ 3,834,126	\$ 4,123,331	\$ 4,220,223	\$ 3,785,310	\$ 4,767,104	\$ 5,487,800
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Total Federal Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
<i>Child Nutrition Cluster:</i>					
School Breakfast Program	10.553	050062-3L70-2017		126,887	
National School Lunch Program	10.555	050062-3L60-2017		484,774	54,871
Total Child Nutrition Cluster				611,661	54,871
 Total U.S. Department of Agriculture				611,661	54,871
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grant to Local Educational Agencies	84.010	050062-3M00-2016		69,105	
Title I Grant to Local Educational Agencies	84.010	050062-3M00-2017		487,634	
Total Title I Grants to Local Educational Agencies				556,739	
Special Education Grants to States	84.027	050062-3M20-2016		80,346	
Special Education Grants to States	84.027	050062-3M20-2017		556,781	
Special Education Preschool Grants	84.173	050062-3M20-2016		3,192	
Special Education Preschool Grants	84.173	050062-3M20-2017		13,865	
Total Special Education				654,184	
Improving Teacher Quality State Grants	84.367	050062-3Y60-2016		12,135	
Improving Teacher Quality State Grants	84.367	050062-3Y60-2017		93,670	
Total Improving Teacher Quality State Grants				105,805	
 Total U.S. Department of U.S. Department of Education				1,316,728	
 Total Expenditures of Federal Awards				\$1,928,389	\$54,871

The accompanying notes are an integral part of this schedule.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Springfield Local School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2017 to 2018 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 14,018
Improving Teacher Quality State Grant	84.027	\$ 7,075



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield Local School District, Summit, (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 March 7, 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

March 7, 2018



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Springfield Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Springfield Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on each Major Federal Program

In our opinion, Springfield Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 7, 2018

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA 84.027 and 84.173 Title I Grant to Local Governmental Agency 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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SPRINGFIELD LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2018**