**SPRINGFIELD LOCAL SCHOOL DISTRICT**
**MAHONING COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2018**

OHIO AUDITOR OF STATE
**KEITH FABER**

**SPRINGFIELD LOCAL SCHOOL DISTRICT**
**MAHONING COUNTY**

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**INDEPENDENT AUDITOR'S REPORT**

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

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Mahoning County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

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

***Other Matters***

*Required Supplementary Information*

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

April 26, 2019

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

## Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased $5,220,278, which represents a 74.06% increase from June 30, 2017's restated net position.

- General revenues accounted for $12,128,081 in revenue or 89.37% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $1,442,810 in revenue or 10.63% of total revenues of $13,570,891.

- The District had $8,350,613 in expenses related to governmental activities; $1,442,810 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $12,128,081 were adequate to provide for these programs.

- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had $11,320,454 in revenues and $11,522,434 in expenditures and other financing uses. During fiscal year 2018, the general fund's fund balance decreased $201,980 from $2,819,818 to $2,617,838.

- The permanent improvement fund had $3,324,900 in revenues and other financing sources and $3,350,884 in expenditures and other financing uses. During fiscal year 2018, the permanent improvement fund's fund balance decreased $25,984 from $620,171 to $594,187.

## Using the Basic Financial Statements (BFS)

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

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

## Reporting the District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement fund.

### *Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-22 of this report.

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

The District acts in a trustee capacity as an agent for individuals and/or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### *Notes to the Basic Financial Statements*

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-66 of this report.

### *Required Supplementary Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 68 through 81 of this report.

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### The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

**Net Position**

| | Governmental Activities 2018 | Restated Governmental Activities 2017 |
|---|---|---|
| **Assets** | | |
| Current and other assets | $ 10,600,826 | $ 10,328,557 |
| Capital assets, net | 16,485,430 | 16,933,490 |
| Total assets | 27,086,256 | 27,262,047 |
| **Deferred Outflows of Resources** | | |
| Unamortized deferred charges on refunding | 239,296 | - |
| Pension | 3,947,763 | 3,330,395 |
| OPEB | 141,139 | 23,571 |
| Total deferred outflows of resources | 4,328,198 | 3,353,966 |
| **Liabilities** | | |
| Current liabilities | 1,253,851 | 1,205,211 |
| Long-term liabilities: | | |
| Due within one year | 414,979 | 344,467 |
| Due in more than one year: | | |
| Net pension liability | 13,044,002 | 18,022,351 |
| Net OPEB liability | 2,880,849 | 3,597,496 |
| Other amounts | 9,787,687 | 9,770,147 |
| Total liabilities | 27,381,368 | 32,939,672 |
| **Deferred Inflows of Resources** | | |
| Property taxes levied for next year | 4,859,557 | 4,558,207 |
| Pension | 654,925 | 166,379 |
| OPEB | 346,571 | - |
| Total deferred inflows of resources | 5,861,053 | 4,724,586 |
| **Net Position** | | |
| Net investment in capital assets | 7,673,161 | 8,004,018 |
| Restricted | 690,336 | 554,472 |
| Unrestricted (deficit) | (10,191,464) | (15,606,735) |
| Total net position (deficit) | $ (1,827,967) | $ (7,048,245) |

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($3,474,320) to ($7,048,245).

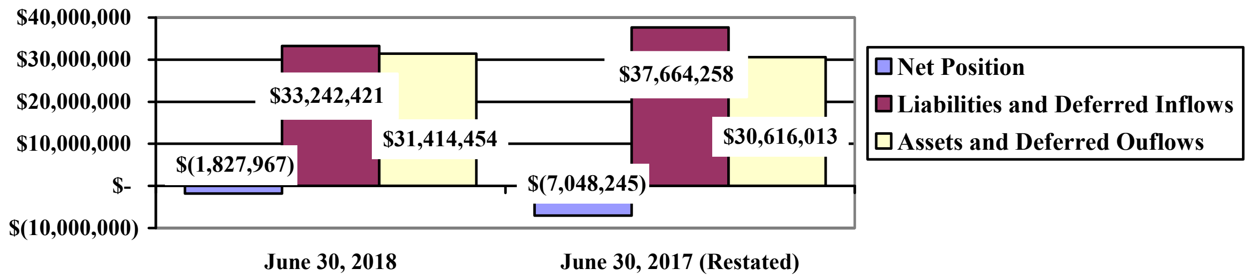
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $1,827,967.

At fiscal year-end, capital assets represented 60.86% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, and vehicles. The District's net investment in capital assets at June 30, 2018 was $7,673,161. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, $690,336, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $10,191,464.

The graph below illustrates the District's assets and deferred outflows, liabilities and deferred inflows of resources, and net position at June 30, 2018 and June 30, 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.

**Governmental Activities**




The table below shows the changes in net position for governmental activities for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

**Change in Net Position**

| | Governmental Activities 2018 | Restated Governmental Activities 2017 |
|---|---|---|
| **Revenues** | | |
| Program revenues: | | |
| Charges for services and sales | $ 396,163 | $ 375,749 |
| Operating grants and contributions | 1,045,647 | 1,274,142 |
| Capital grants and contributions | 1,000 | 2,000 |
| General revenues: | | |
| Property taxes | 4,833,104 | 4,583,454 |
| School district income tax | 2,210,522 | 2,151,277 |
| Grants and entitlements not restricted | 4,978,031 | 4,811,588 |
| Investment earnings | 58,038 | 31,447 |
| Miscellaneous | 48,386 | 57,451 |
| Total revenues | 13,570,891 | 13,287,108 |

-Continued

**Change in Net Position (Continued)**

| | Governmental Activities 2018 | Restated Governmental Activities 2017 |
|---|---|---|
| **Expenses** | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | $ 2,962,890 | $ 6,035,775 |
| Special | 970,941 | 1,258,322 |
| Vocational | 77,363 | 217,921 |
| Other | 32,597 | 221,072 |
| Support services: | | |
| Pupil | 586,396 | 625,626 |
| Instructional staff | 205,747 | 392,890 |
| Board of education | 5,713 | 53,344 |
| Administration | 604,153 | 1,156,132 |
| Fiscal | 259,277 | 421,234 |
| Business | 165 | 100 |
| Operations and maintenance | 1,009,384 | 1,370,966 |
| Pupil transportation | 336,151 | 610,486 |
| Central | 68,246 | 73,825 |
| Operation of non-instructional services: | | |
| Other non-instructional services | 170,409 | 21,844 |
| Food service operations | 342,677 | 537,445 |
| Extracurricular activities | 352,870 | 555,113 |
| Interest and fiscal charges | 365,634 | 466,107 |
| Total expenses | 8,350,613 | 14,018,202 |
| Change in net position | 5,220,278 | (731,094) |
| Net position (deficit) at beginning of year (restated) | (7,048,245) | N/A |
| Net position (deficit) at end of year | $ (1,827,967) | $ (7,048,245) |

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $23,571 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $457,499. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | |
|---|---|
| Total 2018 program expenses under GASB 75 | $ 8,350,613 |
| Negative OPEB expense under GASB 75 | 457,499 |
| 2018 contractually required contributions | 30,145 |
| Adjusted 2018 program expenses | 8,838,257 |
| Total 2017 program expenses under GASB 45 | 14,018,202 |
| Decrease in program expenses not related to OPEB | $ (5,179,945) |

## Governmental Activities

Net position of the District's governmental activities increased $5,220,278. Total governmental expenses of $8,350,613 were offset by program revenues of $1,442,810 and general revenues of $12,128,081. Program revenues supported 17.28% of the total governmental expenses.

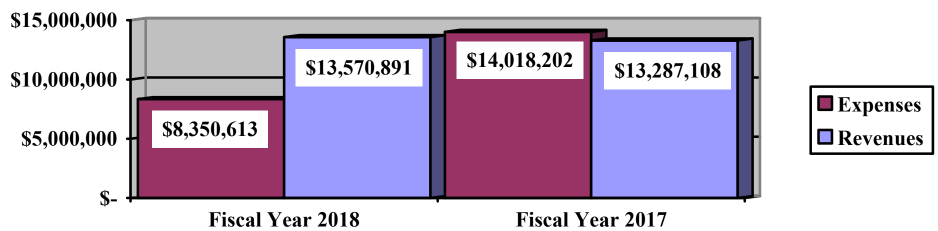
Expenses of the governmental activities decreased $5,667,589 or 40.43%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported ($4,205,045) in pension expense and ($457,499) in OPEB expense mainly due to these benefit changes.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 88.58% of the total governmental revenues.

The largest expense of the District is for instructional programs. Instruction expenses totaled $4,043,791 or 48.43% of the total governmental expenses for fiscal year 2018.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2018 and 2017.

**Governmental Activities - Revenues and Expenses**




The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the cost of these services supported by tax revenues, unrestricted State grants and entitlements, and other general revenues of the District.

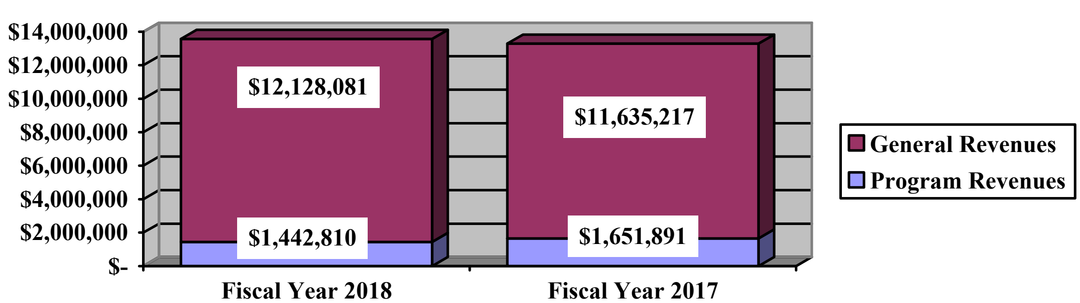
**Governmental Activities**

| | Total Cost of Services 2018 | Net Cost of Services 2018 | Total Cost of Services 2017 | Net Cost of Services 2017 |
|---|---|---|---|---|
| **Program expenses** | | | | |
| Instruction: | | | | |
| Regular | $ 2,962,890 | $ 2,821,773 | $ 6,035,775 | $ 5,862,854 |
| Special | 970,941 | 458,543 | 1,258,322 | 723,734 |
| Vocational | 77,363 | 64,798 | 217,921 | 179,507 |
| Other | 32,597 | (80,997) | 221,072 | 67,915 |
| Support services: | | | | |
| Pupil | 586,396 | 547,655 | 625,626 | 556,298 |
| Instructional staff | 205,747 | 165,967 | 392,890 | 336,405 |
| Board of education | 5,713 | 5,713 | 53,344 | 53,344 |
| Administration | 604,153 | 604,138 | 1,156,132 | 1,144,699 |
| Fiscal | 259,277 | 259,277 | 421,234 | 421,234 |
| Business | 165 | 165 | 100 | 100 |
| Operations and maintenance | 1,009,384 | 1,007,717 | 1,370,966 | 1,369,916 |
| Pupil transportation | 336,151 | 336,151 | 610,486 | 604,861 |
| Central | 68,246 | 68,246 | 73,825 | 68,425 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 170,409 | 155,349 | 21,844 | (3,076) |
| Food service operations | 342,677 | (92,020) | 537,445 | 81,665 |
| Extracurricular activities | 352,870 | 219,694 | 555,113 | 432,323 |
| Interest and fiscal charges | 365,634 | 365,634 | 466,107 | 466,107 |
| Total expenses | $ 8,350,613 | $ 6,907,803 | $ 14,018,202 | $ 12,366,311 |

The dependence upon taxes and other general revenues for governmental activities is apparent, as 80.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.72%. The District's taxpayers and grants and entitlements from the State are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2018 and 2017.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of $3,975,485, which is less than last year's total balance of $4,214,860. The table below indicates the fund balance and the total change in fund balance as of June 30, 2018 and June 30, 2017.

| | Fund Balance June 30, 2018 | Fund Balance June 30, 2017 | Change | Percentage Change |
|---|---|---|---|---|
| General | $ 2,617,838 | $ 2,819,818 | $ (201,980) | (7.16) % |
| Permanent improvement | 594,187 | 620,171 | (25,984) | (4.19) % |
| Nonmajor governmental | 763,460 | 774,871 | (11,411) | (1.47) % |
| Total | $ 3,975,485 | $ 4,214,860 | $ (239,375) | (5.68) % |

***General Fund***

The District's general fund balance decreased $201,980.

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

| | 2018 Amount | 2017 Amount | Change | Percentage Change |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 5,982,352 | $ 5,814,351 | $ 168,001 | 2.89 % |
| Earnings on investments | 57,350 | 28,455 | 28,895 | 101.55 % |
| Intergovernmental | 5,142,974 | 5,082,254 | 60,720 | 1.19 % |
| Other revenues | 137,778 | 119,564 | 18,214 | 15.23 % |
| Total | $ 11,320,454 | $ 11,044,624 | $ 275,830 | 2.50 % |
| **Expenditures** | | | | |
| Instruction | $ 6,749,039 | $ 6,487,003 | $ 262,036 | 4.04 % |
| Support services | 4,376,716 | 4,043,356 | 333,360 | 8.24 % |
| Non-instructional services | 1,234 | 1,165 | 69 | 5.92 % |
| Extracurricular activities | 353,445 | 355,678 | (2,233) | (0.63) % |
| Total | $ 11,480,434 | $ 10,887,202 | $ 593,232 | 5.45 % |

Overall revenues of the general fund increased $275,830 or 2.50%. Taxes increased $168,001 or 2.89% primarily due to an increase in property taxes collected in the current fiscal year. Earnings on investments increased due to an increase in investments of STAR Ohio. All other revenue classifications remained comparable to the prior fiscal year.

Overall expenditures of the general fund increased $593,232 or 5.45%. This increase is primarily due to the District hiring additional staff during the 2018 fiscal year. Instructional and support services increased $262,036 and $333,360, respectively.

***Permanent Improvement Fund***

The permanent improvement fund had $3,324,900 in revenues and other financing sources and $3,350,884 in expenditures and other financing uses. During fiscal year 2018, the permanent improvement fund's fund balance decreased $25,984 from $620,171 to $594,187.

### *General Fund Budgeting Highlights*

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

For the general fund, original budgeted revenues and other financing sources were $11,105,557. Final budgeted revenues and other financing sources were increased to $11,437,939. Actual revenues and other financing sources for fiscal year 2017 were $11,449,686. This represents a $11,747 increase over final budgeted amounts.

General fund original and final appropriations (appropriated expenditures and other financing uses) were $12,492,923. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled $11,546,434, which was $946,489 less than the final budgeted amounts.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of fiscal year 2018, the District had $16,485,430 invested in land, land improvements, buildings and improvements, equipment and furniture, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2018 balances compared to June 30, 2017 balances.

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

| | Governmental Activities | |
|---|---|---|
| | 2018 | 2017 |
| Land | $ 99,230 | $ 99,230 |
| Land improvements | 550,422 | 642,221 |
| Buildings and improvements | 15,067,070 | 15,452,859 |
| Equipment and furniture | 535,230 | 625,503 |
| Vehicles | 233,478 | 113,677 |
| Total | $ 16,485,430 | $ 16,933,490 |

The overall decrease in capital assets of $448,060 is due to the District's current year depreciation exceeding capital asset additions.

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

### *Debt Administration*

At June 30, 2018, the District had $2,440,000 in lease-purchase agreement obligations and $6,395,198 in general obligation bonds outstanding. Of this total, $325,580 is due within one year and $8,509,618 is due in more than one year. The following table summarizes the District's long-term obligations outstanding at June 30, 2018 and June 30, 2017.

**Long-Term Obligations, at Year End**

| | Governmental Activities 2018 | Governmental Activities 2017 |
|---|---|---|
| Lease-purchase agreement obligations | $ 2,440,000 | $ 2,643,388 |
| General obligation bonds | 6,395,198 | 6,416,436 |
| Total | $ 8,835,198 | $ 9,059,824 |

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

**Current Financial Related Activities**

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

Since the District relies on the State for more than half of the general operating revenues, one of the largest challenges facing the District is that of State funding. State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. With the passage of AM. Sub. H.B. 59 of the 130th Ohio General Assembly in July 2013 the state foundation formula for fiscal years 2014 thru 2018 changed. A large part of our funding under this formula is the Transitional Aid Guarantee. This section provides additional funds if the foundation calculation amount is less than what were received in FY13 as the calculated Bridge Funding. The Transitional Aid Guarantee is $839,065 in FY 2018 and so continuation of this line item is imperative.

The next challenge facing the District is the rapid decline in enrollment over the past several years, especially if these declines continue. The District has thus far been able to manage the decline in enrollment by aggressively adjusting the certified and classified staffing levels as necessary. Should enrollment continue to decline, this will become increasingly more difficult as further reductions would entail that the District consider program reductions and negotiate changes to current labor contracts. Enrollment for fiscal year 2018 showed a decrease from 1,123 funded students to 1,075 funded students. The District passed a new bond issue on May 7, 2013 for the construction of a new elementary school. The new school opened in the fall of 2015 with the addition of all-day kindergarten services. It is believed that the addition of this service along with the new building will add to the attractiveness of the District to families who are considering which District to live in or where to send their children for education.

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Edward N. Sobnosky, Treasurer, Springfield Local School District, Box 549 11335 Youngstown-Pittsburgh Road, New Middletown, Ohio 44442.

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

STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents. . . | $ 4,306,269 |
| Receivables: | |
| Property taxes . . . . . . . . . . . . . . . | 5,206,074 |
| Income taxes. . . . . . . . . . . . . . . . | 962,838 |
| Intergovernmental . . . . . . . . . . . . . | 111,434 |
| Prepayments . . . . . . . . . . . . . . . . . | 9,100 |
| Materials and supplies inventory. . . . . . . . | 1,754 |
| Inventory held for resale. . . . . . . . . . . . | 3,357 |
| Capital assets: | |
| Nondepreciable capital assets . . . . . . . . | 99,230 |
| Depreciable capital assets, net. . . . . . . . | 16,386,200 |
| Capital assets, net . . . . . . . . . . . . . | 16,485,430 |
| Total assets. . . . . . . . . . . . . . . . . . | 27,086,256 |
| | |
| **Deferred outflows of resources:** | |
| Unamortized deferred charges on debt refunding | 239,296 |
| Pension . . . . . . . . . . . . . . . . | 3,947,763 |
| OPEB . . . . . . . . . . . . . . . . | 141,139 |
| Total deferred outflows of resources . . . . . . . | 4,328,198 |
| | |
| **Liabilities:** | |
| Accounts payable. . . . . . . . . . . . . . . . | 12,453 |
| Accrued wages and benefits payable . . . . . . | 925,783 |
| Compensated absences payable. . . . . . . . | 405 |
| Intergovernmental payable . . . . . . . . . . . | 118,162 |
| Pension and postemployment benefits payable. . | 154,288 |
| Accrued interest payable . . . . . . . . . . . | 42,760 |
| Long-term liabilities: | |
| Due within one year. . . . . . . . . . . . . . | 414,979 |
| Due in more than one year: | |
| Net pension liability . . . . . . . . . . . . | 13,044,002 |
| Net OPEB liability. . . . . . . . . . . . . . | 2,880,849 |
| Other amounts due in more than one year . | 9,787,687 |
| Total liabilities . . . . . . . . . . . . . . . . . | 27,381,368 |
| | |
| **Deferred inflows of resources:** | |
| Property taxes levied for the next fiscal year. . . . | 4,859,557 |
| Pension. . . . . . . . . . . . . . . . | 654,925 |
| OPEB. . . . . . . . . . . . . . . . | 346,571 |
| Total deferred inflows of resources . . . . . . . | 5,861,053 |
| | |
| **Net position:** | |
| Net investment in capital assets . . . . . . . . . | 7,673,161 |
| Restricted for: | |
| Capital projects . . . . . . . . . . . . . . . . | 35,466 |
| Classroom facilities maintenance . . . . . . . | 363,041 |
| Debt service. . . . . . . . . . . . . . . . . . | 218,453 |
| Locally funded programs . . . . . . . . . . . | 10,353 |
| State funded programs. . . . . . . . . . . . . | 281 |
| Federally funded programs . . . . . . . . . . | 11,566 |
| Student activities . . . . . . . . . . . . . . . | 31,414 |
| Other purposes . . . . . . . . . . . . . . . . | 19,762 |
| Unrestricted (deficit) . . . . . . . . . . . . . . | (10,191,464) |
| Total net position (deficit) . . . . . . . . . . . . | $ (1,827,967) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Instruction: | | | | | |
| Regular | $ 2,962,890 | $ 42,709 | $ 97,408 | $ 1,000 | $ (2,821,773) |
| Special | 970,941 | 11,228 | 501,170 | - | (458,543) |
| Vocational | 77,363 | - | 12,565 | - | (64,798) |
| Other | 32,597 | - | 113,594 | - | 80,997 |
| Support services: | | | | | |
| Pupil | 586,396 | - | 38,741 | - | (547,655) |
| Instructional staff | 205,747 | 2,074 | 37,706 | - | (165,967) |
| Board of education | 5,713 | - | - | - | (5,713) |
| Administration | 604,153 | 15 | - | - | (604,138) |
| Fiscal | 259,277 | - | - | - | (259,277) |
| Business | 165 | - | - | - | (165) |
| Operations and maintenance | 1,009,384 | 1,249 | 418 | - | (1,007,717) |
| Pupil transportation | 336,151 | - | - | - | (336,151) |
| Central | 68,246 | - | - | - | (68,246) |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 170,409 | 524 | 14,536 | - | (155,349) |
| Food service operations | 342,677 | 205,188 | 229,509 | - | 92,020 |
| Extracurricular activities | 352,870 | 133,176 | - | - | (219,694) |
| Interest and fiscal charges | 365,634 | - | - | - | (365,634) |
| Total governmental activities | $ 8,350,613 | $ 396,163 | $ 1,045,647 | $ 1,000 | (6,907,803) |

| | |
|---|---|
| **General revenues:** | |
| Property taxes levied for: | |
| General purposes | 3,856,658 |
| Debt service | 356,641 |
| Capital outlay | 534,962 |
| Special revenue | 84,843 |
| Income taxes levied for: | |
| General purposes | 2,210,522 |
| Grants and entitlements not restricted to specific programs | 4,978,031 |
| Investment earnings | 58,038 |
| Miscellaneous | 48,386 |
| Total general revenues | 12,128,081 |
| Change in net position | 5,220,278 |
| **Net position (deficit) at beginning of year (restated)** | (7,048,245) |
| **Net position (deficit) at end of year** | $ (1,827,967) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General | Permanent Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets:** | | | | |
| Equity in pooled cash and cash equivalents | $ 2,926,260 | $ 591,069 | $ 788,940 | $ 4,306,269 |
| Receivables: | | | | |
| Property taxes | 4,167,436 | 569,845 | 468,793 | 5,206,074 |
| Income taxes | 962,838 | - | - | 962,838 |
| Interfund loans | 2,043 | - | - | 2,043 |
| Intergovernmental | 87,099 | - | 24,335 | 111,434 |
| Prepayments | 8,527 | - | 573 | 9,100 |
| Materials and supplies inventory | - | - | 1,754 | 1,754 |
| Inventory held for resale | - | - | 3,357 | 3,357 |
| Total assets | $ 8,154,203 | $ 1,160,914 | $ 1,287,752 | $ 10,602,869 |
| **Liabilities:** | | | | |
| Accounts payable | $ 11,697 | $ 432 | $ 324 | $ 12,453 |
| Accrued wages and benefits payable | 892,580 | - | 33,203 | 925,783 |
| Compensated absences payable | 10,298 | - | - | 10,298 |
| Intergovernmental payable | 117,807 | - | 355 | 118,162 |
| Pension and postemployment benefits payable | 143,640 | - | 10,648 | 154,288 |
| Interfund loans payable | - | - | 2,043 | 2,043 |
| Total liabilities | 1,176,022 | 432 | 46,573 | 1,223,027 |
| **Deferred inflows of resources:** | | | | |
| Property taxes levied for the next fiscal year | 3,892,028 | 530,829 | 436,700 | 4,859,557 |
| Delinquent property tax revenue not available | 249,379 | 35,466 | 29,172 | 314,017 |
| Income tax revenue not available | 153,829 | - | - | 153,829 |
| Intergovernmental revenue not available | 65,107 | - | 11,847 | 76,954 |
| Total deferred inflows of resources | 4,360,343 | 566,295 | 477,719 | 5,404,357 |
| **Fund balances:** | | | | |
| Nonspendable: | | | | |
| Materials and supplies inventory | - | - | 1,754 | 1,754 |
| Prepaids | 8,527 | - | 573 | 9,100 |
| Restricted: | | | | |
| Debt service | - | - | 369,153 | 369,153 |
| Classroom facilities maintenance | - | - | 357,513 | 357,513 |
| Other purposes | - | - | 30,115 | 30,115 |
| Extracurricular | - | - | 31,414 | 31,414 |
| Committed: | | | | |
| Capital improvements | - | 594,187 | - | 594,187 |
| Student and staff support | 36,936 | - | - | 36,936 |
| Instructional Staff | 10,013 | - | - | 10,013 |
| Assigned: | | | | |
| Student and staff support | 29,677 | - | - | 29,677 |
| Subsequent year's appropriations | 1,538,163 | - | - | 1,538,163 |
| Other purposes | 4,822 | - | - | 4,822 |
| Unassigned (deficit) | 989,700 | - | (27,062) | 962,638 |
| Total fund balances | 2,617,838 | 594,187 | 763,460 | 3,975,485 |
| Total liabilities, deferred inflows and fund balances | $ 8,154,203 | $ 1,160,914 | $ 1,287,752 | $ 10,602,869 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

| | | |
|---|---|---|
| **Total governmental fund balances** | | $ 3,975,485 |
| *Amounts reported for governmental activities on the statement of net position are different because:* | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 16,485,430 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | |
| Property taxes receivable | $ 314,017 | |
| Income taxes receivable | 153,829 | |
| Intergovernmental receivable | 76,954 | |
| Total | | 544,800 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | (347,951) |
| Unamortized amounts on refundings are not recognized in the funds. | | 239,296 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (42,760) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| General obligation bonds | (6,395,198) | |
| Lease-purchase agreement obligations payable | (2,440,000) | |
| Compensated absences | (1,009,624) | |
| Total | | (9,844,822) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows - pension | 3,947,763 | |
| Deferred inflows - pension | (654,925) | |
| Net pension liability | (13,044,002) | |
| Total | | (9,751,164) |
| The net OPEB 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 - OPEB | 141,139 | |
| Deferred inflows - OPEB | (346,571) | |
| Net OPEB liability | (2,880,849) | |
| Total | | (3,086,281) |
| **Net position (deficit) of governmental activities** | | $ (1,827,967) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | General | Permanent Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues:** | | | | |
| From local sources: | | | | |
| Property taxes | $ 3,788,614 | $ 526,762 | $ 434,884 | $ 4,750,260 |
| Income taxes. | 2,193,738 | - | - | 2,193,738 |
| Tuition. | 30,712 | - | - | 30,712 |
| Earnings on investments | 57,350 | 50 | 638 | 58,038 |
| Charges for services | - | - | 205,562 | 205,562 |
| Extracurricular. | 33,993 | - | 101,209 | 135,202 |
| Classroom materials and fees | 17,076 | - | - | 17,076 |
| Rental income | 875 | - | - | 875 |
| Contributions and donations | 48,073 | 1,000 | 5,450 | 54,523 |
| Contract services. | 6,000 | - | - | 6,000 |
| Other local revenues | 1,049 | - | - | 1,049 |
| Intergovernmental - intermediate | - | - | 16,032 | 16,032 |
| Intergovernmental - state | 5,074,571 | 70,640 | 58,204 | 5,203,415 |
| Intergovernmental - federal | 68,403 | - | 658,117 | 726,520 |
| Total revenues | 11,320,454 | 598,452 | 1,480,096 | 13,399,002 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular. | 5,374,567 | 24,495 | 84,918 | 5,483,980 |
| Special | 1,133,829 | - | 159,534 | 1,293,363 |
| Vocational | 181,807 | - | - | 181,807 |
| Other | 58,836 | - | 98,976 | 157,812 |
| Support services: | | | | |
| Pupil | 740,693 | - | 38,741 | 779,434 |
| Instructional staff | 345,878 | - | 30,970 | 376,848 |
| Board of education | 5,713 | - | - | 5,713 |
| Administration | 1,159,053 | - | - | 1,159,053 |
| Fiscal | 401,427 | 9,960 | 8,215 | 419,602 |
| Business. | 165 | - | - | 165 |
| Operations and maintenance | 1,150,441 | 119,065 | 24,866 | 1,294,372 |
| Pupil transportation | 488,622 | 164,695 | - | 653,317 |
| Central | 84,724 | - | - | 84,724 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 1,234 | - | 169,175 | 170,409 |
| Food service operations. | - | - | 496,118 | 496,118 |
| Extracurricular activities | 353,445 | - | 105,667 | 459,112 |
| Facilities acquisition and construction. | - | 432 | - | 432 |
| Debt service: | | | | |
| Principal retirement. | - | 280,000 | 14,645 | 294,645 |
| Interest and fiscal charges | - | 32,918 | 105,623 | 138,541 |
| Bond issuance costs | - | 35,620 | 127,663 | 163,283 |
| Accretion on capital appreciation bonds. | - | - | 40,355 | 40,355 |
| Payment to refunded bond escrow agent | - | - | 149,556 | 149,556 |
| Total expenditures | 11,480,434 | 667,185 | 1,655,022 | 13,802,641 |
| Excess of expenditures over revenues | (159,980) | (68,733) | (174,926) | (403,639) |
| **Other financing sources (uses):** | | | | |
| Premium on bonds and notes sold | - | - | 354,429 | 354,429 |
| Sale of bonds. | - | - | 6,225,000 | 6,225,000 |
| Sale of notes | - | 2,720,000 | - | 2,720,000 |
| Transfers in. | - | 6,448 | 207,289 | 213,737 |
| Transfers (out) | (42,000) | - | (171,737) | (213,737) |
| Payment to refunded bond escrow agent | - | - | (6,451,466) | (6,451,466) |
| Payment to refunded lease escrow agent | - | (2,683,699) | - | (2,683,699) |
| Total other financing sources (uses) | (42,000) | 42,749 | 163,515 | 164,264 |
| Net change in fund balances | (201,980) | (25,984) | (11,411) | (239,375) |
| **Fund balances at beginning of year.** | 2,819,818 | 620,171 | 774,871 | 4,214,860 |
| **Fund balances at end of year.** | $ 2,617,838 | $ 594,187 | $ 763,460 | $ 3,975,485 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | | $ (239,375) |
| *Amounts reported for governmental activities in the statement of activities are different because:* | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | $ 211,131 | |
| Current year depreciation | (659,191) | |
| Total | | (448,060) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | 82,844 | |
| Income taxes | 16,784 | |
| Intergovernmental | 62,273 | |
| Total | | 161,901 |
| Repayment of general obligation bonds and lease-purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| Bonds - current interest and capital appreciation | 14,645 | |
| Accreted interest on capital appreciation bonds | 40,355 | |
| Capital leases | 280,000 | |
| Total | | 335,000 |
| Issuance of bonds, premiums and lease purchase agreements are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. | | |
| Bonds | (6,225,000) | |
| Premiums | (354,429) | |
| Lease purchase agreements | (2,720,000) | |
| Total | | (9,299,429) |
| Payment to refunded bond and lease escrow agent for the retirement of bonds/leases is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year: | | |
| Bonds refunded | 6,245,000 | |
| Lease purchase agreements refunded | 2,643,388 | |
| Removal of premiums associated with refunded bonds | 150,146 | |
| Deferred charges on refundings | 246,187 | |
| Total | | 9,284,721 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: | | |
| Change in accrued interest payable | (9,635) | |
| Accreted interest on capital appreciation bonds | (53,762) | |
| Amortization of bond premiums | 6,478 | |
| Amortization of deferred charges | (6,891) | |
| Total | | (63,810) |

(Continued)

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | | |
|---|---|---|
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | $ | (105,485) |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | 902,126 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | 4,205,045 |
| Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | 30,145 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension OPEB are reported as OPEB expense in the statement of activities. | | 457,499 |
| **Change in net position of governmental activities** | $ | 5,220,278 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Revenues:** | | | | |
| From local sources: | | | | |
| Property taxes | $ 3,688,399 | $ 3,800,893 | $ 3,800,893 | $ - |
| Income taxes. | 2,098,722 | 2,162,732 | 2,162,732 | - |
| Tuition. | 29,804 | 30,713 | 30,713 | - |
| Earnings on investments | 49,585 | 51,097 | 57,350 | 6,253 |
| Classroom materials and fees | 13,542 | 13,955 | 14,611 | 656 |
| Rental income | 364 | 375 | 875 | 500 |
| Contributions and donations | 2,012 | 2,073 | 2,073 | - |
| Contract services. | 5,822 | 6,000 | 6,000 | - |
| Other local revenues | 207 | 213 | 213 | - |
| Intergovernmental - state | 4,921,698 | 5,071,806 | 5,071,806 | - |
| Intergovernmental - federal | 87,868 | 90,548 | 94,886 | 4,338 |
| Total revenues | 10,898,023 | 11,230,405 | 11,242,152 | 11,747 |
| | | | | |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,886,322 | 5,886,322 | 5,351,065 | 535,257 |
| Special. | 1,154,570 | 1,154,570 | 1,140,120 | 14,450 |
| Vocational. | 196,820 | 196,820 | 180,785 | 16,035 |
| Other. | 54,839 | 54,839 | 62,626 | (7,787) |
| Support services: | | | | |
| Pupil. | 611,201 | 611,201 | 726,141 | (114,940) |
| Instructional staff | 353,288 | 353,288 | 342,245 | 11,043 |
| Board of education | 32,823 | 32,823 | 29,285 | 3,538 |
| Administration. | 1,219,062 | 1,219,062 | 1,180,477 | 38,585 |
| Fiscal | 435,822 | 435,822 | 412,320 | 23,502 |
| Business | 113 | 113 | 165 | (52) |
| Operations and maintenance. | 1,275,821 | 1,275,821 | 1,185,862 | 89,959 |
| Pupil transportation | 572,565 | 572,565 | 506,509 | 66,056 |
| Central. | 77,892 | 77,892 | 85,825 | (7,933) |
| Extracurricular activities. | 318,114 | 318,114 | 277,966 | 40,148 |
| Facilities acquisition and construction | - | - | 21,000 | (21,000) |
| Total expenditures | 12,189,252 | 12,189,252 | 11,502,391 | 686,861 |
| | | | | |
| Excess of expenditures over revenues. | (1,291,229) | (958,847) | (260,239) | 698,608 |
| | | | | |
| **Other financing sources (uses):** | | | | |
| Refund of prior year's expenditures | 23,698 | 23,698 | 23,698 | - |
| Transfers (out). | (96,050) | (96,050) | (42,000) | 54,050 |
| Advances in. | 183,736 | 183,736 | 183,736 | - |
| Advances (out) | (207,621) | (207,621) | (2,043) | 205,578 |
| Sale of capital assets | 100 | 100 | 100 | - |
| Total other financing sources (uses) | (96,137) | (96,137) | 163,491 | 259,628 |
| | | | | |
| Net change in fund balance | (1,387,366) | (1,054,984) | (96,748) | 958,236 |
| | | | | |
| **Fund balance at beginning of year** | 2,777,851 | 2,777,851 | 2,777,851 | - |
| **Prior year encumbrances appropriated** | 45,828 | 45,828 | 45,828 | - |
| **Fund balance at end of year** | $ 1,436,313 | $ 1,768,695 | $ 2,726,931 | $ 958,236 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2018

| | Agency |
|---|---|
| **Assets:** | |
| Equity in pooled cash | |
| and cash equivalents . . . . . . . . . . . | $ 11,237,082 |
| Total assets. . . . . . . . . . . . . . . . . | $ 11,237,082 |
| **Liabilities:** | |
| Due to students. . . . . . . . . . . . . . . . | $ 37,810 |
| Due to other governments . . . . . . . . . | 11,199,272 |
| Total liabilities . . . . . . . . . . . . . . . . | $ 11,237,082 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates one elementary school, one middle school, and one comprehensive high school. The District is staffed by 74 certified and 38 classified personnel to provide services to approximately 1,042 students and other community members.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

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

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

*PUBLIC ENTITY RISK POOL*

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

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

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

### B. Fund Accounting

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

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has three agency funds to account for fiscal agent monies held on-behalf of the Mahoning County Insurance Consortium, other governments, and student activities.

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

Agency funds do not report a measurement focus as they do not report results of operations.

### D. Basis of Accounting

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

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

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

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

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

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources 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 District, see Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

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

### E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2018 is as follows:

1. The Mahoning County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15$^{th}$ and the filing by January 20$^{th}$.

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended official certificates of estimated resources issued for fiscal year 2018.

3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

4. Any revisions that alter the total fund appropriations must be approved by the Board of Education.

5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board of Education prior to July 1, 2016. However, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

### F. Cash and Investments

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

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

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2018 amounted to $57,350, which includes $19,913 assigned from other funds.

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

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

### G. Inventory

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

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

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

### H. Capital Assets

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

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

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

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 | 5 - 20 years |
| Buildings and improvements | 20 - 50 years |
| Equipment and furniture | 5 - 20 years |
| Vehicles | 5 - 10 years |

**I. Interfund Balances**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2018, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

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

**L. Fund Balance**

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

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

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

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

### M. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for education foundation fund (a nonmajor governmental fund) activities.

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

### N. Prepayments

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

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

### O. Estimates

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

### P. Interfund Activity

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

### Q. Bond Issuance Costs/Unamortized Bond Premium/Unamortized Deferred Charges

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

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

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

For bond and lease refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources.

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

### R. Pensions/Other Postemployment Benefits (OPEB)

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

### S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

## NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

### A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements and added required supplementary information which is presented on pages 66-81.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

| | Governmental Activities |
|---|---|
| Net position as previously reported | $ (3,474,320) |
| Deferred outflows - payments subsequent to measurement date | 23,571 |
| Net OPEB liability | (3,597,496) |
| Restated net position at July 1, 2017 | $ (7,048,245) |

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficits:

| Nonmajor funds | Deficit |
|---|---|
| Food service operations | $ 23,412 |
| Strategies student with disabilities | 281 |
| Title I | 1,042 |

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

## NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

### A. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was $8,071,818 and the bank balance of all District deposits was $8,278,134. Of the bank balance, $4,878,120 was collateralized by the FDIC and $3,400,014 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

### B. Investments

As of June 30, 2018, the District had the following investment and maturity:

| Measurement/ Investment type | Measurement Value | Investment Maturity 6 Months or Less |
|---|---|---|
| *Amortized Cost:* | | |
| STAR Ohio | $ 7,471,533 | $ 7,471,533 |

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

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

*Custodial Credit Risk*: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

| Measurement/ Investment type | Measurement Value | % of Total |
|---|---|---|
| *Amortized Cost:* | | |
| STAR Ohio | $ 7,471,533 | 100.00 |

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

| | |
|---|---|
| Cash and investments per note | |
| Carrying amount of deposits | $ 8,071,818 |
| Investments | 7,471,533 |
| Total | $ 15,543,351 |
| | |
| Cash and investments per statement of net position | |
| Governmental activities | $ 4,306,269 |
| Agency funds | 11,237,082 |
| Total | $ 15,543,351 |

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

| Transfer from general fund to: | Amount |
|---|---|
| Nonmajor governmental fund | $ 42,000 |
| | |
| Transfer from nonmajor governmental fund to: | |
| Permanent improvement fund | 6,448 |
| Nonmajor governmental fund | 165,289 |
| Total | $ 213,737 |

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

The transfer from the classroom facilities fund, a nonmajor governmental fund, to the permanent improvement fund and bond retirement fund, a nonmajor governmental fund, were made to close out the OFCC project.

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

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

## NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

**B.** Interfund balances at June 30, 2018 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

| Receivable fund | Payable fund | Amount |
|---|---|---|
| General fund | Nonmajor governmental funds | $ 2,043 |

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

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

## NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amounts available for advance at June 30, 2018 were $26,029 from the general fund, $2,367 from the bond retirement fund, $3,550 from the permanent improvement fund, and $554 from the classroom facilities improvement fund (a nonmajor governmental fund). The County Auditor did not report any amounts available as an advance to the District at June 30, 2017. The amount of the second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

## NOTE 6 - PROPERTY TAXES - (Continued)

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 2018 taxes were collected are:

| | 2017 Second Half Collections | | 2018 First Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | $ 166,466,800 | 86.57 | $ 175,337,790 | 86.94 |
| Public utility personal | 25,821,350 | 13.43 | 26,335,020 | 13.06 |
| Total | $ 192,288,150 | 100.00 | $ 201,672,810 | 100.00 |
| Tax rate per $1,000 of assessed valuation for: | | | | |
| General purposes | $30.50 | | $30.50 | |
| Debt service | 2.00 | | 2.00 | |
| Capital projects | 3.00 | | 3.00 | |
| Special revenue | 0.50 | | 0.50 | |

## NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, income taxes, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

| **Governmental activities:** | Amount |
|---|---|
| Property taxes | $ 5,206,074 |
| Income taxes | 962,838 |
| Intergovernmental | 111,434 |
| Total | $ 6,280,346 |

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

## NOTE 8 - CAPITAL ASSETS

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

| **Governmental activities:** | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|---|---|---|---|
| *Capital assets, not being depreciated:* | | | | |
| Land | $ 99,230 | $ - | $ - | $ 99,230 |
| *Total capital assets, not being depreciated* | 99,230 | - | - | 99,230 |
| *Capital assets, being depreciated:* | | | | |
| Land improvements | 2,324,257 | - | - | 2,324,257 |
| Buildings and improvements | 20,907,262 | 38,841 | - | 20,946,103 |
| Equipment and furniture | 1,344,977 | 9,000 | - | 1,353,977 |
| Vehicles | 1,023,840 | 163,290 | (171,119) | 1,016,011 |
| *Total capital assets, being depreciated* | 25,600,336 | 211,131 | (171,119) | 25,640,348 |
| *Less: accumulated depreciation:* | | | | |
| Land improvements | (1,682,036) | (91,799) | - | (1,773,835) |
| Buildings and improvements | (5,454,403) | (424,630) | - | (5,879,033) |
| Equipment and furniture | (719,474) | (99,273) | - | (818,747) |
| Vehicles | (910,163) | (43,489) | 171,119 | (782,533) |
| *Total accumulated depreciation* | (8,766,076) | (659,191) | 171,119 | (9,254,148) |
| Total capital assets, net | $ 16,933,490 | $ (448,060) | $ - | $ 16,485,430 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| Instruction: | |
| Regular | $ 371,542 |
| Support services: | |
| Administration | 2,414 |
| Fiscal | 1,036 |
| Operations and maintenance | 134,476 |
| Pupil transportation | 44,274 |
| Food service operations | 6,175 |
| Extracurricular activities | 99,274 |
| Total depreciation expense | $ 659,191 |

## NOTE 9 - LEASE-PURCHASE AGREEMENT

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

## NOTE 9 - LEASE-PURCHASE AGREEMENT – (Continued)

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

As part of the lease-purchase agreement entered into during fiscal year 2012, the remaining debt service requirements on the lease-purchase agreement for the Original Project were refinanced and included in a restructured debt payment schedule.

During fiscal year 2018, the District issued $2,720,000 in lease purchase refunding obligations to refund $2,643,388 of the previous lease purchase agreement outstanding. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The interest rates on the lease purchase refunding obligations are 4.50%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2027.

The reacquisition price exceeded the net carrying amount of the old debt by $40,311. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2027. This advance refunding was undertaken to reduce the combined total debt service payments by $297,430 and resulted in an economic gain of $268,156.

The lease-purchase agreement liability in the amount of $2,440,000 as reported on the statement of net position at June 30, 2018 is therefore a combination of the lease-purchase agreement obligations from both the Original Project and the New Project. As of June 30, 2018, governmental capital assets consisting of land improvements and buildings and improvements resulting from both the Original Project and the New Project have been capitalized by the District in the approximate amount of $4,268,535 (the total proceeds received from the lease-purchase agreements).

The source of revenue to fund the principal and interest payments on the restructured lease-purchase agreement debt payment schedule is derived from the property tax levy in the permanent improvement fund. During fiscal year 2018, the District made principal and interest payments of $280,000 and $32,918, respectively, from the permanent improvement fund.

The following is a schedule of the future long-term minimum payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2018:

| Fiscal Year Ending June 30, | Amount |
|---|---|
| 2019 | $ 297,451 |
| 2020 | 299,166 |
| 2021 | 300,341 |
| 2022 | 300,877 |
| 2023 | 300,841 |
| 2024 - 2027 | 1,202,397 |
| Total future minimum lease payments | 2,701,073 |
| Less: amount representing interest | (261,073) |
| Present value of future minimum lease payments | $ 2,440,000 |

## NOTE 10 - LONG-TERM OBLIGATIONS

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

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

**A.** During fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long term obligations at June 30, 2017 have been restated as described in Note 3.A.

| **Governmental activities:** | Restated Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 | Amounts Due In One Year |
|---|---|---|---|---|---|
| General obligation bonds - series 2013 | | | | | |
| Current interest bonds | $ 6,245,000 | $ - | $ (6,245,000) | $ - | $ - |
| Capital appreciation bonds | 53,259 | - | (14,645) | 38,614 | 12,631 |
| Accreted interest | 118,177 | 53,762 | (40,355) | 131,584 | 42,949 |
| Classroom facilities improvement refunding bonds - series 2017 | - | 6,225,000 | - | 6,225,000 | 20,000 |
| Total general obligation bonds | 6,416,436 | 6,278,762 | (6,300,000) | 6,395,198 | 75,580 |
| Net pension liability | 18,022,351 | - | (4,978,349) | 13,044,002 | - |
| Net OPEB liability | 3,597,496 | - | (716,647) | 2,880,849 | - |
| Lease-purchase agreement | 2,643,388 | - | (2,643,388) | - | - |
| Lease-purchase agreement refunding - series 2017 | - | 2,720,000 | (280,000) | 2,440,000 | 250,000 |
| Compensated absences | 904,644 | 197,697 | (82,824) | 1,019,517 | 89,399 |
| Total governmental activities | $ 31,584,315 | $ 9,196,459 | $ (15,001,208) | 25,779,566 | $ 414,979 |
| Unamortized bond premiums | | | | 347,951 | |
| Total on statement of net position | | | | $ 26,127,517 | |

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

*Net OPEB Liability:* See Note 13 for more information on net OPEB liability.

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

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

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

*General Obligation Bonds - Series 2013*: On September 11, 2013, the District issued $6,398,259 in general obligation classroom facilities improvement bonds to finance capital improvements associated with the District's OFCC project. The issue is comprised of both current interest bonds, par value $6,345,000, and capital appreciation bonds, par value $53,259. The current interest bonds bear interest at rates ranging from 2.00% to 5.00%, and mature on December 1, 2049. The capital appreciation bonds have a stated interest rate of 34.121%, and mature on December 1, 2017, December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021, and December 1, 2022 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $400,000. Total accreted interest of $131,584 has been included on the statement of net position at June 30, 2018. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund). As of June 30, 2018, the District had refunded the current interest bonds with the series 2017 refunding bonds.

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

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

| | Capital Appreciation - Series 2013 | | |
|---|---|---|---|
| Fiscal Year | Principal | Interest | Total |
| 2019 | $ 12,631 | $ 52,369 | $ 65,000 |
| 2020 | 9,218 | 55,782 | 65,000 |
| 2021 | 7,243 | 62,757 | 70,000 |
| 2022 | 5,664 | 69,336 | 75,000 |
| 2023 | 3,858 | 66,142 | 70,000 |
| Total | $ 38,614 | $ 306,386 | $ 345,000 |

*General Obligation Bonds - Series 2017 Refunding Bonds:* During fiscal year 2018, the District issued $6,225,000 in general obligation bonds to refund $6,245,000 of the General Obligation Bonds, Series 2013. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was $6,245,000.

The issue is comprised of both current interest bonds, par value $6,225,000. The interest rates on the current interest bonds range from 4.00% - 5.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2049.

The reacquisition price exceeded the net carrying amount of the old debt by $205,876. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2049. This advance refunding was undertaken to reduce the combined total debt service payments by $1,688,550 and resulted in an economic gain of $1,034,155.

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the series 2017 refunding bonds:

| | 2017 Refunding Bonds | | |
|---|---|---|---|
| Fiscal Year Ending | Current Interest Bonds | | |
| June 30, | Principal | Interest | Total |
| 2019 | $ 20,000 | $ 238,638 | $ 258,638 |
| 2020 | - | 238,438 | 238,438 |
| 2021 | - | 238,438 | 238,438 |
| 2022 | - | 238,438 | 238,438 |
| 2023 | - | 238,438 | 238,438 |
| 2024-2028 | 520,000 | 1,143,390 | 1,663,390 |
| 2029-2033 | 740,000 | 1,018,790 | 1,758,790 |
| 2034-2038 | 1,005,000 | 845,490 | 1,850,490 |
| 2039-2043 | 1,355,000 | 609,308 | 1,964,308 |
| 2044-2048 | 1,755,000 | 305,439 | 2,060,439 |
| 2049-2050 | 830,000 | 29,212 | 859,212 |
| Total | $ 6,225,000 | $ 5,144,019 | $ 11,369,019 |

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of $12,256,092 (including available funds of $369,153) and an unvoted debt margin of $201,673.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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

The Educational Property and Crime coverage limits are $41,511,208 property damage per occurrence with a deductible of $1,000 per occurrence. Some of the additional limits include $100,000 accounts receivable, $250,000 business interruption/rental income, and $1,000,000 extra expense. Flood limits per occurrence and annual aggregate are $5,000,000. Earthquake Shock limit is $10,000,000 per occurrence and annual aggregate.

**NOTE 11 - RISK MANAGEMENT – (Continued)**

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

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

The District also has violence coverage with a member aggregate limit of $1,000,000.

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

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

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

**B. Mahoning County School Employees Insurance Consortium**

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

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

The health and dental coverage are administered by Community Insurance Company d.b.a. Anthem Blue Cross and Blue Shield, a third-party administrator. American United Life Insurance Company provides the life insurance coverage.

**C. Workers' Compensation**

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

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

## NOTE 12 - DEFINED BENEFIT PENSION PLANS

***Net Pension Liability***

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

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

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

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

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

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

Plan Description - The 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.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $187,847 for fiscal year 2018. Of this amount, $9,913 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $714,279 for fiscal year 2018. Of this amount, $120,820 is reported as pension and postemployment benefits payable.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Net Pension Liability***

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net pension liability prior measurement date | 0.04171600% | 0.04471998% | |
| Proportion of the net pension liability current measurement date | 0.04234520% | 0.04425963% | |
| Change in proportionate share | 0.00062920% | -0.00046035% | |
| Proportionate share of the net pension liability | $ 2,530,032 | $ 10,513,970 | $ 13,044,002 |
| Pension expense | $ (101,326) | $ (4,103,719) | $ (4,205,045) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred outflows of resources** | | | |
| Differences between expected and actual experience | $ 108,884 | $ 406,002 | $ 514,886 |
| Changes of assumptions | 130,830 | 2,299,521 | 2,430,351 |
| Difference between District contributions and proportionate share of contributions/ change in proportionate share | 52,142 | 48,258 | 100,400 |
| District contributions subsequent to the measurement date | 187,847 | 714,279 | 902,126 |
| Total deferred outflows of resources | $ 479,703 | $ 3,468,060 | $ 3,947,763 |

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Differences between expected and actual experience | $ - | $ 84,738 | $ 84,738 |
| Net difference between projected and actual earnings on pension plan investments | 12,012 | 346,976 | 358,988 |
| Difference between District contributions and proportionate share of contributions/ change in proportionate share | 36,112 | 175,087 | 211,199 |
| Total deferred inflows of resources | $ 48,124 | $ 606,801 | $ 654,925 |

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

$902,126 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2019 | $ 91,210 | $ 429,132 | $ 520,342 |
| 2020 | 166,967 | 901,134 | 1,068,101 |
| 2021 | 44,536 | 660,424 | 704,960 |
| 2022 | (58,981) | 156,290 | 97,309 |
| Total | $ 243,732 | $ 2,146,980 | $ 2,390,712 |

***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, 2017, 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 | 2.50 percent |
| Investment rate of return | 7.50 percent net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 3,511,027 | $ 2,530,032 | $ 1,708,249 |

***Actuarial Assumptions - STRS Ohio***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

| | July 1, 2017 | July 1, 2016 |
|---|---|---|
| Inflation | 2.50 percent | 2.75 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 | 12.25 percent at age 20 to 2.75 percent at age 70 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation | 7.75 percent, net of investment expenses, including inflation |
| Payroll increases | 3 percent | 3.5 percent |
| Cost-of-living adjustments (COLA) | 0.0 percent, effective July 1, 2017 | 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 fifth anniversary of retirement date. |

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 15,071,418 | $ 10,513,970 | $ 6,675,003 |

## NOTE 13 - DEFINED BENEFIT OPEB PLANS

***Net OPEB Liability***

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

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

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

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

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

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

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $23,188.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $30,145 for fiscal year 2018. Of this amount, $23,555 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

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

## NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

***Net OPEB Liability***

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net OPEB liability prior measurement date | 0.04230539% | 0.04471998% | |
| Proportion of the net OPEB liability current measurement date | 0.04299980% | 0.04425963% | |
| Change in proportionate share | 0.00069441% | -0.00046035% | |
| Proportionate share of the net OPEB liability | $ 1,154,002 | $ 1,726,847 | $ 2,880,849 |
| OPEB expense | $ 72,959 | $ (530,458) | $ (457,499) |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred outflows of resources** | | | |
| Differences between expected and actual experience | $ - | $ 99,684 | $ 99,684 |
| Difference between District contributions and proportionate share of contributions/ change in proportionate share | 11,310 | - | 11,310 |
| District contributions subsequent to the measurement date | 30,145 | - | 30,145 |
| Total deferred outflows of resources | $ 41,455 | $ 99,684 | $ 141,139 |

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Net difference between projected and actual earnings on pension plan investments | $ 3,047 | $ 73,810 | $ 76,857 |
| Changes of assumptions | 109,509 | 139,103 | 248,612 |
| Difference between District contributions and proportionate share of contributions/ change in proportionate share | - | 21,102 | 21,102 |
| Total deferred inflows of resources | $ 112,556 | $ 234,015 | $ 346,571 |

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

$30,145 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2019 | $ (36,341) | $ (28,539) | $ (64,880) |
| 2020 | (36,341) | (28,539) | (64,880) |
| 2021 | (27,803) | (28,539) | (56,342) |
| 2022 | (761) | (28,539) | (29,300) |
| 2023 | - | (10,089) | (10,089) |
| Thereafter | - | (10,086) | (10,086) |
| Total | $ (101,246) | $ (134,331) | $ (235,577) |

***Actuarial Assumptions - SERS***

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

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

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

| | |
|---|---|
| Wage inflation | 3.00 percent |
| Future salary increases, including inflation | 3.50 percent to 18.20 percent |
| Investment rate of return | 7.50 percent net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.56 percent |
| Prior measurement date | 2.92 percent |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.63 percent |
| Prior measurement date | 2.98 percent |
| Medical trend assumption: | |
| Medicare | 5.50 to 5.00 percent |
| Pre-Medicare | 7.50 to 5.00 percent |

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

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

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

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

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 1,393,604 | $ 1,154,002 | $ 964,175 |

| | 1% Decrease (6.5 % decreasing to 4.0 %) | Current Trend Rate (7.5 % decreasing to 5.0 %) | 1% Increase (8.5 % decreasing to 6.0 %) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 936,386 | $ 1,154,002 | $ 1,442,020 |

***Actuarial Assumptions - STRS***

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

| | |
|---|---|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation |
| Payroll increases | 3 percent |
| Cost-of-living adjustments (COLA) | 0.0 percent, effective July 1, 2017 |
| Blended discount rate of return | 4.13 percent |
| Health care cost trends | 6 to 11 percent initial, 4.5 percent ultimate |

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

## NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 2,318,265 | $ 1,726,847 | $ 1,259,434 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 1,199,740 | $ 1,726,847 | $ 2,420,583 |

## NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

| | General fund |
|---|---|
| Budget basis | $ (96,748) |
| Net adjustment for revenue accruals | (4,892) |
| Net adjustment for expenditure accruals | (45,118) |
| Net adjustment for other sources/uses | (205,491) |
| Funds budgeted elsewhere | (1,173) |
| Adjustment for encumbrances | 151,442 |
| GAAP basis | $ (201,980) |

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

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

## NOTE 15 – CONTINGENCIES – (Continued)

### C. Foundation 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, additional ODE adjustments to fiscal year 2018 are not finalized. ODE has finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the District. These adjustments were insignificant for the District.

## NOTE 16 - SET-ASIDES

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

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

| | Capital Improvements |
|---|---|
| Set-aside balance June 30, 2017 | $ - |
| Current year set-aside requirement | 193,556 |
| Current year qualifying expenditures | 471,973 |
| Current year offsets | (694,277) |
| Total | $ (28,748) |
| Balance carried forward to fiscal year 2019 | $ - |
| Set-aside balance June 30, 2018 | $ - |

During fiscal year 2014, the District issued $6,398,259 in capital related classroom facilities improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to $0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was $6,398,259 at June 30, 2018.

## NOTE 17 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax on the November 2, 2004 election that became effective on January 1, 2005. This income tax was effective for five years. On May 5, 2015, the school district income tax was renewed for an additional period of five years, beginning August 31, 2014. Income tax revenue credited to the general fund during fiscal year 2018 was $2,193,738.

## NOTE 18 - OTHER COMMITMENTS

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

| Fund | Year End Encumbrances |
|---|---|
| General fund | $ 140,527 |
| Permanent improvement fund | 346,090 |
| Nonmajor governmental funds | 5,670 |
| Total | $ 492,287 |

## NOTE 19 - OPERATING LEASE - LESSOR DISCLOSURE

The District is the lessor of oil and gas rights on certain land parcels owned by the District to Chesapeake Energy. The lease agreement is from February 17, 2012 through February 17, 2017. The District received $488,250 in the general fund at the execution of the lease. The District will also receive a 20 percent royalty on any oil or gas that is produced from the land parcels. During fiscal year 2018, the District did not receive any royalties related to the lease agreement.

# REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.04234520% | 0.04171600% | 0.04073710% | 0.04334500% | 0.04334500% |
| District's proportionate share of the net pension liability | $ 2,530,032 | $ 3,053,226 | $ 2,324,498 | $ 2,193,666 | $ 2,577,588 |
| District's covered payroll | $ 1,368,814 | $ 1,331,236 | $ 1,226,404 | $ 1,259,531 | $ 1,298,829 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 184.83% | 229.35% | 189.54% | 174.17% | 198.45% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.04425963% | 0.04471998% | 0.04447196% | 0.04506883% | 0.04506883% |
| District's proportionate share of the net pension liability | $ 10,513,970 | $ 14,969,125 | $ 12,290,749 | $ 10,962,299 | $ 13,058,219 |
| District's covered payroll | $ 4,890,836 | $ 4,777,400 | $ 4,688,414 | $ 4,604,792 | $ 4,926,654 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 214.97% | 313.33% | 262.15% | 238.06% | 265.05% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 187,847 | $ 191,634 | $ 186,373 | $ 161,640 |
| Contributions in relation to the contractually required contribution | (187,847) | (191,634) | (186,373) | (161,640) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 1,391,459 | $ 1,368,814 | $ 1,331,236 | $ 1,226,404 |
| Contributions as a percentage of covered payroll | 13.50% | 14.00% | 14.00% | 13.18% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $ 174,571 | $ 179,758 | $ 168,282 | $ 146,771 | $ 154,088 | $ 107,943 |
| (174,571) | (179,758) | (168,282) | (146,771) | (154,088) | (107,943) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 1,259,531 | $ 1,298,829 | $ 1,251,167 | $ 1,167,629 | $ 1,138,021 | $ 1,096,982 |
| 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | **2018** | **2017** | **2016** | **2015** |
|---|---|---|---|---|
| Contractually required contribution | $ 714,279 | $ 684,717 | $ 668,836 | $ 656,378 |
| Contributions in relation to the contractually required contribution | (714,279) | (684,717) | (668,836) | (656,378) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 5,101,993 | $ 4,890,836 | $ 4,777,400 | $ 4,688,414 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2014 | | 2013 | | 2012 | | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| $ | 598,623 | $ | 640,465 | $ | 629,133 | $ | 640,241 | $ | 630,658 | $ | 604,434 |
| | (598,623) | | (640,465) | | (629,133) | | (640,241) | | (630,658) | | (604,434) |
| $ | - | $ | - | $ | - | $ | - | $ | - | $ | - |
| $ | 4,604,792 | $ | 4,926,654 | $ | 4,839,485 | $ | 4,924,931 | $ | 4,851,215 | $ | 4,649,492 |
| | 13.00% | | 13.00% | | 13.00% | | 13.00% | | 13.00% | | 13.00% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | 2018 | 2017 |
|---|---|---|
| District's proportion of the net OPEB liability | 0.04299980% | 0.04230539% |
| District's proportionate share of the net OPEB liability | $ 1,154,002 | $ 1,205,860 |
| District's covered payroll | $ 1,368,814 | $ 1,331,236 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 84.31% | 90.58% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 12.46% | 11.49% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | 2018 | 2017 |
|---|---|---|
| District's proportion of the net OPEB liability | 0.04425963% | 0.04471998% |
| District's proportionate share of the net OPEB liability | $ 1,726,847 | $ 2,391,636 |
| District's covered payroll | $ 4,890,836 | $ 4,777,400 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 35.31% | 50.06% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.10% | 37.30% |

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 30,145 | $ 23,571 | $ 21,539 | $ 32,237 |
| Contributions in relation to the contractually required contribution | (30,145) | (23,571) | (21,539) | (32,237) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 1,391,459 | $ 1,368,814 | $ 1,331,236 | $ 1,226,404 |
| Contributions as a percentage of covered payroll | 2.17% | 1.72% | 1.62% | 2.63% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2014 | | 2013 | | 2012 | | 2011 | | 2010 | | 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| $ | 23,461 | $ | 20,760 | $ | 30,493 | $ | 39,899 | $ | 27,478 | $ | 67,413 |
| | (23,461) | | (20,760) | | (30,493) | | (39,899) | | (27,478) | | (67,413) |
| $ | - | $ | - | $ | - | $ | - | $ | - | $ | - |
| $ | 1,259,531 | $ | 1,298,829 | $ | 1,251,167 | $ | 1,167,629 | $ | 1,138,021 | $ | 1,096,982 |
| | 1.86% | | 1.60% | | 2.44% | | 3.42% | | 2.41% | | 6.15% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 5,101,993 | $ 4,890,836 | $ 4,777,400 | $ 4,688,414 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| $ 47,832 | $ 49,267 | $ 48,395 | $ 49,249 | $ 48,512 | $ 46,496 |
| (47,832) | (49,267) | (48,395) | (49,249) | (48,512) | (46,496) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 4,604,792 | $ 4,926,654 | $ 4,839,485 | $ 4,924,931 | $ 4,851,215 | $ 4,649,492 |
| 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

## PENSION

### *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

### *STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 26, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

Keith Faber
Auditor of State

Columbus, Ohio

April 26, 2019

OHIO AUDITOR OF STATE
**KEITH FABER**

**SPRINGFIELD LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**MAY 16, 2019**