

**SPRINGFIELD LOCAL SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**AND OTHER SUPPLEMENTARY INFORMATION**  
**AND AUDITORS' REPORTS**

**JUNE 30, 2005**





**Auditor of State  
Betty Montgomery**

Board of Education  
Springfield Local School District  
6900 Hall Street  
Holland, Ohio 43528

We have reviewed the *Independent Auditors' Report* of the Springfield Local School District, Lucas County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Springfield Local School District is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

June 19, 2006

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# GILMORE, JASION & MAHLER, LTD

## INDEPENDENT AUDITORS' REPORT

Board Members  
Springfield Local School District  
Holland, Ohio

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 (District), Lucas County, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Kevin M. Gilmore, CPA, CVA

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, Lucas County, Ohio as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adele M. Jasion, CPA

Andrew L. Mahler,  
CPA, CVA, CFFA

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 11, 2006, on our consideration of The District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

J. Stephen Schult, CPA

Philip J. Newlove, CPA

As described in Note 21 to the financial statements, the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities* by Cost-Sharing Employers for the fiscal year ended June 30, 2005.

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

The management's discussion and analysis and budgetary comparison for the General Fund on pages 5 through 11 and page 44 are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Springfield Local School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Gilmore, Jason & Mahler, LTD*

May 11, 2006



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

The discussion and analysis of the Springfield Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

In total, net assets increased \$500,173.

General revenues accounted for \$32,185,365, or 85% of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$5,556,945, or 15% of total revenues of \$37,742,310.

The District's major funds included the General Fund, the Bond Retirement Debt Service Fund, and the Building and Construction Capital Projects Fund.

The General Fund had \$30,081,450 in revenues and other financing sources and \$30,649,674 in expenditures and other financing uses. The General Fund's balance decreased \$568,224 from the prior fiscal year. Taxes increased from FY 2004 to FY 2005 by \$274,171 due to increases in property valuations. Expenditures increased from FY 2004 to FY 2005 by \$1,323,557 caused by scheduled employee rate increases and increases in health insurance.

The Bond Retirement Debt Service Fund had \$2,222,780 in revenues and other financing sources and \$1,739,863 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$482,917 from the prior fiscal year. Taxes increased from FY 2004 to FY 2005, \$17,364 due to increases in property valuations. Expenditures decreased \$249,992 due to reduction in debt service requirements.

The Building and Construction Capital Projects Fund had \$176,181 in revenues and \$2,447,595 in expenditures. The Building and Construction Capital Projects Fund's balance decreased \$2,271,414 from the prior fiscal year.

The revenue generated from the Bond Retirement Debt Service Fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the 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 a greater 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 non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund, the Bond Retirement Debt Service Fund, and the Building and Construction Capital Projects Funds are the only three major funds.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

**Reporting the District as a Whole**

Statement of Net Assets and 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 we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes 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 assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

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

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the Building and Construction Capital Projects Fund.

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

Reporting the District's Fiduciary Responsibilities - The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a Private Purpose Trust Fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets in the accompanied financial statements. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance the operation.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005. In fiscal year 2004, the District issued \$9,250,000 in bonds. Also, taxes receivable increased due to the effects of a triennial update for 2004. These increases affected the District's current assets as well as liabilities. The financial position of the District has improved as result in the increase in real estate taxes and grants. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. Those two revenue sources represent 98 percent of total governmental activities revenue.

**Table 1  
Net Assets  
Governmental Activities**

	2005	2004
<b><u>Assets:</u></b>		
Current and Other Assets	\$36,505,925	\$40,897,988
Capital Assets, Net	18,291,177	15,668,803
Total Assets	54,797,102	56,566,791
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	26,997,048	27,969,383
Long-Term Liabilities	20,352,651	21,650,178
Total Liabilities	47,349,699	49,619,561
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	6,650,470	5,608,803
Restricted	4,839,664	4,278,590
Unrestricted	(4,042,731)	(2,940,163)
Total	\$7,447,403	\$6,947,230

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

Table 2 reflects the changes in net assets for fiscal year 2005.

**Table 2  
Change in Net Assets  
Governmental Activities**

	2005	2004
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$1,743,724	\$1,951,929
Operating Grants, Contributions and Interest	3,504,212	2,550,984
Capital Grants and Contributions	309,009	19,317
Total Program Revenues	5,556,945	4,522,230
General Revenues:		
Property Taxes	23,087,099	24,062,999
Grants and Entitlements	8,429,232	8,690,407
Interest	343,369	127,047
Gifts and Donations	43,432	30,672
Payments in Lieu of Taxes	4,033	6,664
Miscellaneous	278,200	543,647
Total General Revenues	32,185,365	33,461,436
Total Revenues	37,742,310	37,983,666
<b><u>Expenses:</u></b>		
Instruction	20,695,732	21,000,500
Support Services:		
Pupils	1,689,726	1,525,911
Instructional Staff	592,600	656,057
Board of Education	53,012	34,533
Administration	2,802,633	2,612,678
Fiscal	587,404	577,267
Operation and Maintenance of Plant	3,438,687	3,210,624
Pupil Transportation	2,413,100	1,876,653
Central	136,107	123,958
Non-Instructional	2,265,645	2,120,104
Extracurricular Activities	1,164,326	1,149,634
Capital Outlay	598,649	210,048
Interest and Fiscal Charges	804,516	630,372
Total Expenses	37,242,137	35,728,339
Increase in Net Assets	\$500,173	\$2,255,327

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Instruction	\$20,695,732	\$18,028,929	\$21,000,500	\$18,780,139
Support Services:				
Pupils	1,689,726	1,635,330	1,525,911	1,469,687
Instructional Staff	592,600	585,296	656,057	494,071
Board of Education	53,012	53,012	34,533	34,533
Administration	2,802,633	2,802,633	2,612,678	2,612,678
Fiscal	587,404	587,404	577,267	577,267
Operation and Maintenance of Plant	3,438,687	3,381,910	3,210,624	3,210,624
Pupil Transportation	2,413,100	2,135,801	1,876,653	1,857,336
Central	136,107	123,998	123,958	110,297
Non-Instructional	2,265,645	136,890	2,120,104	493,714
Extracurricular Activities	1,164,326	810,824	1,149,634	725,343
Capital Outlay	598,649	598,649	210,048	210,048
Interest and Fiscal Charges	804,516	804,516	630,372	630,372
Total Expenses	<u>\$37,242,137</u>	<u>\$31,685,192</u>	<u>\$35,728,339</u>	<u>\$31,206,109</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 87 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 85 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$38,595,430 and expenditures of \$40,921,645. The net negative change in fund balance of \$2,326,215 for the year indicates that the District had difficulty in meeting current costs.

**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. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

Final expenditures were budgeted at \$32,643,551 while actual expenditures and encumbrances were \$30,659,379. The \$1,984,172 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual General Fund revenues were less than expenditures by \$561,813. During fiscal year 2005, interest revenue increased due to the increased cash available for investment. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2005, the District had \$18,291,177 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

**Debt**

At June 30, 2005, the District had \$18,405,000 in two school improvement general obligation bond issues for building improvements. The oldest bond was issued in 1987 for a twenty-three year period, with final maturity on December 1, 2010. A 2004 issue of \$16,300,000 consisted of a \$7,050,000 refunding of a 1992 issue and \$9,250,000 in new proceeds. The new bonds have a twenty-year life span with a final maturity on December 1, 2025. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2005, the District's overall legal debt margin was \$48,198,263, with a direct limit un-voted debt margin of \$740,036.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The District is a suburban community of 25,000 people in Northwest Ohio. It has a growing number of retail/commercial businesses that are an important part of the economy. New home construction continues, although at a moderated level compared to prior years.

Fiscal year 2005 was the second year of the state biennium budget. According to the 2005 Local District Report Card, 69.7% of District revenue sources is from local funds, 24.3% is from state funds and the remaining 6.0% is from federal funds. The total expenditure per pupil was calculated at \$8,978 which is a \$368 increase from the 2004 report card.

In February 2005, the District replaced a four-year limited operating levy of 8.9 mills with an 8.9 mill continuing levy. This levy will generate approximately an additional 1.73 mills and will yield in the area of \$1,240,000 of additional revenue beginning January 1, 2006.

The District also passed a 1.35 mill permanent improvement levy in 2004. This generates approximately \$1,000,000 additional revenue to be used for maintaining, equipping and improving facilities of the District. This levy is will run for five years through December 31, 2009.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

The District is in the process of a \$9,250,000 construction program, which began in the spring of 2005 due to the passage of a Bond Issue in February 2004. All proceeds and expenses of the construction program flow through the Building and Construction Fund. All construction is rehabilitation work, the largest majority of which is HVAC related. There are no new school buildings under construction or planned at this time. It is anticipated that the remainder of the construction work planned will be completed by the fall of 2006.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert W. Moellenberg, Treasurer, Springfield Local School District, 6900 Hall Street, Holland, Ohio 43528.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Net Assets  
June 30, 2005**

		<b><u>Governmental Activities</u></b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$	13,076,779
Materials and Supplies Inventory		5,932
Receivables:		
Accounts Receivable		6,413
Intergovernmental Receivable		535,022
Taxes		22,868,030
Prepaid Items		13,749
Capital Assets		
Non-Depreciable Capital Assets		1,684,082
Depreciable Capital Assets, Net		16,607,095
Total Assets		<u>54,797,102</u>
Liabilities:		
Accounts Payable		282,155
Accrued Wages and Benefits Payable		3,929,830
Contracts Payable		500,299
Intergovernmental Payable		793,966
Matured Compensated Absences Payable		165,092
Deferred Revenue		21,325,706
Long Term Liabilities:		
Due Within One Year		1,527,990
Due in More Than One Year		18,824,661
Total Liabilities		<u>47,349,699</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt		6,650,470
Restricted for Debt Service		3,522,205
Restricted for Capital Outlay		1,053,384
Restricted for Other Purposes		264,075
Unrestricted		(4,042,731)
Total Net Assets	\$	<u><u>7,447,403</u></u>

See accompanying notes to the basic financial statements.



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Change in Net Assets</u>
					<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$ 14,381,232	\$ 610,529	\$ 431,411		\$ (13,339,292)
Special	3,757,455		1,593,153	31,710	(2,132,592)
Vocational	295,373				(295,373)
Other	2,261,672				(2,261,672)
Support services:					
Pupils	1,689,726		54,396		(1,635,330)
Instructional Staff	592,600		7,304		(585,296)
Board of Education	53,012				(53,012)
Administration	2,802,633				(2,802,633)
Fiscal	587,404				(587,404)
Operation and Maintenance of Plant	3,438,687	56,777			(3,381,910)
Pupil Transportation	2,413,100			277,299	(2,135,801)
Central	136,107		12,109		(123,998)
Operation of Non-Instructional Services	2,265,645	722,916	1,405,839		(136,890)
Extracurricular Activities	1,164,326	353,502			(810,824)
Capital Outlay	598,649				(598,649)
Interest and Fiscal Charges	804,516				(804,516)
Total Governmental Activities	<u>\$ 37,242,137</u>	<u>\$ 1,743,724</u>	<u>\$ 3,504,212</u>	<u>\$ 309,009</u>	<u>\$ (31,685,192)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	20,266,996
Property Taxes, Levied for Capital Outlay	901,246
Property Taxes, Levied for Debt Service	1,918,857
Grants and Entitlements not Restricted to Specific Programs	8,429,232
Gifts and Donations	43,432
Investment Earnings	343,369
Payments in Lieu of Taxes	4,033
Miscellaneous	278,200
Total General Revenues	<u>32,185,365</u>
Change in Net Assets	500,173
Net Assets Beginning of Year	6,947,230
Net Assets End of Year	<u>\$ 7,447,403</u>

See accompanying notes to the basic financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	<b>General Fund</b>	<b>Bond Retirement</b>	<b>Building and Construction</b>	<b>Other Governmental Funds</b>	<b>Totals Governmental Funds</b>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,017,636	\$ 3,392,888	\$ 7,501,352	\$ 1,037,002	\$ 12,948,878
Materials and Supplies Inventory				5,932	5,932
Receivables:					
Accounts	5,349			1,064	6,413
Intergovernmental				535,022	535,022
Taxes	19,935,233	2,022,561		910,236	22,868,030
Prepaid Items	13,749				13,749
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	127,901				127,901
<b>Total Assets</b>	<b>\$ 21,099,868</b>	<b>\$ 5,415,449</b>	<b>\$ 7,501,352</b>	<b>\$ 2,489,256</b>	<b>\$ 36,505,925</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 141,702	\$	\$ 115,664	\$ 24,789	\$ 282,155
Accrued Wages and Benefits Payable	3,633,400			296,430	3,929,830
Contracts Payable			500,299		500,299
Intergovernmental Payable	704,171			89,795	793,966
Matured Compensated Absences Payable	154,766			10,326	165,092
Deferred Revenue	19,090,921	1,937,181		1,109,152	22,137,254
<b>Total Liabilities</b>	<b>23,724,960</b>	<b>1,937,181</b>	<b>615,963</b>	<b>1,530,492</b>	<b>27,808,596</b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	106,961		4,295,414	334,373	4,736,748
Reserved for Prepaid Items	13,749				13,749
Reserved for Property Taxes	844,312	85,380		18,974	948,666
Reserved for Budget Stabilization	127,901				127,901
Unreserved, Undesignated Reported In					
General Fund	(3,718,015)				(3,718,015)
Special Revenue Funds				(19,935)	(19,935)
Debt Service Fund		3,392,888			3,392,888
Capital Projects Funds			2,589,975	625,352	3,215,327
<b>Total Fund Balances</b>	<b>(2,625,092)</b>	<b>3,478,268</b>	<b>6,885,389</b>	<b>958,764</b>	<b>8,697,329</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,099,868</b>	<b>\$ 5,415,449</b>	<b>\$ 7,501,352</b>	<b>\$ 2,489,256</b>	<b>\$ 36,505,925</b>

See accompanying notes to the basic financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005**

Total Governmental Fund Balances	\$	8,697,329
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		18,291,177
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Intergovernmental Receivable	217,890	
Property Taxes Receivable	593,658	
		811,548
<p>Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.</p>		
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
General Obligation Bonds Payable	(18,405,000)	
Compensated Absences Payable	(1,947,651)	
		(20,352,651)
Net Assets of Governmental Activities	\$	7,447,403

See accompanying notes to the basic financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement</u>	<u>Building and Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property and Other Local Taxes	\$ 20,773,799	\$ 1,992,918	\$	\$ 936,966	\$ 23,703,683
Intergovernmental	8,201,717	219,205		3,878,392	12,299,314
Interest	152,329		176,181	4,380	332,890
Tuition and Fees	584,905			12,365	597,270
Rent	56,777				56,777
Extracurricular Activities				341,137	341,137
Gifts and Donations	27,500			15,932	43,432
Customer Sales and Services	25,624			722,916	748,540
Payments in Lieu of Taxes	3,742	178		113	4,033
Miscellaneous	238,204			23,143	261,347
<b>Total Revenues</b>	<u>30,064,597</u>	<u>2,212,301</u>	<u>176,181</u>	<u>5,935,344</u>	<u>38,388,423</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	14,248,846			623,646	14,872,492
Special	3,092,562			769,042	3,861,604
Vocational	295,373				295,373
Other	1,916,804			344,868	2,261,672
Support services:					
Pupils	1,384,025			322,846	1,706,871
Instructional Staff	581,211			26,199	607,410
Board of Education	53,012				53,012
Administration	2,573,915	30,347		186,220	2,790,482
Fiscal	571,265			12,444	583,709
Operation and Maintenance of Plant	3,043,965			557,366	3,601,331
Pupil Transportation	1,889,855			527,054	2,416,909
Central	83,449			43,375	126,824
Non-Instructional Services	(45,782)			2,288,936	2,243,154
Extracurricular activities	781,499			382,517	1,164,016
Capital Outlay			2,447,595		2,447,595
Debt Service					
Principal Retirement		905,000			905,000
Interest and Fiscal Charges		804,516			804,516
<b>Total Expenditures</b>	<u>30,469,999</u>	<u>1,739,863</u>	<u>2,447,595</u>	<u>6,084,513</u>	<u>40,741,970</u>
Excess of Revenues Over (Under) Expenditures	<u>(405,402)</u>	<u>472,438</u>	<u>(2,271,414)</u>	<u>(149,169)</u>	<u>(2,353,547)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In				179,675	179,675
Proceeds from Sale of Fixed Assets	16,853				16,853
Transfers Out	(179,675)				(179,675)
Accrued Interest Received on Debt Issuance		10,479			10,479
<b>Total Other Financing Sources (Uses)</b>	<u>(162,822)</u>	<u>10,479</u>	<u>-</u>	<u>179,675</u>	<u>27,332</u>
<b>Net Change in Fund Balance</b>	<u>(568,224)</u>	<u>482,917</u>	<u>(2,271,414)</u>	<u>30,506</u>	<u>(2,326,215)</u>
Fund Balances at Beginning of Year (Restated)	(2,056,868)	2,995,351	9,156,803	928,258	11,023,544
<b>Fund Balances at End of Year</b>	<u>\$ (2,625,092)</u>	<u>\$ 3,478,268</u>	<u>\$ 6,885,389</u>	<u>\$ 958,764</u>	<u>\$ 8,697,329</u>

See accompanying notes to the basic financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (2,326,215)

***Amounts reported for governmental activities on the statement of activities are different because of the following:***

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	3,689,215	
Depreciation	<u>(1,066,841)</u>	
		2,622,374

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(616,584)	
Intergovernmental	<u>(56,861)</u>	
		(673,445)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

Bond Payments		905,000
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Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>(27,541)</u>	
		<u>(27,541)</u>

Change in Net Assets of Governmental Activities		\$ <u><u>500,173</u></u>
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See accompanying notes to the basic financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 36,563	\$ 82,809
Total Assets	\$ 36,563	\$ 82,809
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		\$ 82,809
Total Liabilities		\$ 82,809
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 36,563	
Total Net Assets	\$ 36,563	

See accompanying notes to the basic financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2005**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	\$ 1,083
Gifts and Donations	1,135
<b>Deductions</b>	
Payments in Accordance with Trust Agreement	<u>(1,501)</u>
Change in Net Assets	717
Net Assets at Beginning of Year	<u>35,846</u>
Net Assets at End of Year	<u>\$ 36,563</u>

See accompanying notes to the basic financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Springfield Local School District, Lucas County (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1881 through the consolidation of existing land areas and school districts. The District serves an area of approximately 25 square miles. It is located in Lucas County, and includes all of the Village of Holland and portions of the cities of Toledo and Maumee, and Monclova, Spencer, and Springfield Townships. The District is the 109th largest in the State of Ohio, (among 613 school districts) in terms of enrollment. It is staffed by 174 non-certificated employees and 301 certificated full-time teaching personnel who provide services to 3,792 students and other community members. The District currently operates six instructional buildings, one administrative building, and one garage.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Springfield Local School 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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.

The following activities are included within the reporting entity:

Parochial Schools - Within the District boundaries, St. Joan of Arc Elementary, St. Johns High School are operated through the Toledo Catholic Diocese; Westside Montessori is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity of these State monies by the District is reflected in a special revenue fund for financial reporting purposes.

The District is associated with four organizations, which are defined as jointly governed organizations or insurance purchasing pools. These organizations include the Northwest Ohio Computer Association, Penta County Vocational School District, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Northwest Ohio Educational Council Self-Insurance Pool Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Springfield Local School District have been prepared in conformity with generally accepted accounting principles (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.

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, the Bond Retirement Debt Service Fund, and the Building and Construction Capital Projects Fund are the District's only major governmental funds:

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

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Building and Construction Capital Projects Fund - The Building and Construction Capital Projects Fund is used to account for the revenues and expenditures related to the building and construction of new school buildings.

The other governmental funds of the District account for grants and other resources, debt service, and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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's only trust fund is a private purpose trust, which accounts for a program that provides assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Measurement Focus**

**Government-Wide Financial Statements**

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

**Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or 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 income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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, grants, tuition, and student fees.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for tax rate determination.
3. 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 June 30, 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 is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2005.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits temporary appropriation to be effective until no later than October 1 of each year.)

Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed appropriations at the legal level of control.

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations with a fund, or alter object appropriations within functions within a fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriations.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which reallocated, increased or decreased the original appropriated amounts. The Board legally enacted all supplemental appropriations, during fiscal year 2005.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level, function and/or object level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

On the fund financial statements, encumbrances outstanding at year-end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2005, investments were limited to government securities and STAR Ohio. Government securities are reported at market value.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$152,329, which includes \$6,093 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity 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 that are not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**H. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased, except for the Food Service Fund. Inventories in the Food Service Fund consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

**J. Capital Assets**

General capital assets are those assets not specifically related to 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 assets but are not reported on the fund financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

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

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 20 years
Buildings and Building Improvements	25 - 40 years
Furniture and Fixtures	5 - 20 years
Vehicles	8 years
Equipment	10 years

**K. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

**L. Compensated Absences**

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences," in conformity with GASB Statement No. 16. The District accrues vacation as earned by its employees if the leave is attributable to past service and its probable that the District will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. These compensated absences are measured using rates in effect at June 30, 2005.

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

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

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments compensated absences, special termination benefits and contractually required pension contributions 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. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, prepaids, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**P. Interfund Transactions**

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

**Q. Estimates**

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



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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For the Year Ended June 30, 2005**

**R. 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 District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

**3. BUDGETARY BASIS OF ACCOUNTING**

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

The Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the result of operations for the year on budget basis to the GAAP basis for the General Fund is as follows:

<b>Net Change in Fund Balance Major Governmental Fund</b>	
	<b>General</b>
GAAP Basis	(\$568,224)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	865,777
Accrued FY 2005, Not Yet Received in Cash	(990,285)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(4,459,364)
Accrued FY 2005, Not Yet Paid in Cash	4,760,914
Encumbrances Outstanding at Year End (Budget Basis)	(170,631)
Budget Basis	(\$561,813)

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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**4. DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active 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 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 monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At year end, the District had \$5,140 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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Deposits

Custodial credit risk for deposits 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. At year end, \$5,146,287 of the District's bank balance of \$5,246,287 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Carrying and Fair Value</u>	<u>Less than 1 year</u>	<u>1-2 years</u>
Federal National Mortgage Association Notes	\$1,500,000		\$1,500,000
Federal Home Loan Mortgage Corporation Notes	2,501,045		2,501,045
Federal Home Loan Bank Notes	996,077	\$996,077	
Money Market Mutual Fund	110,925	110,925	
STAR Ohio	3,234,505	3,234,505	
<b>Total Investments</b>	<u>\$8,342,552</u>	<u>\$4,341,507</u>	<u>\$4,001,045</u>

The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk - The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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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 Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investment in Federal National Mortgage Association Notes represents 18% of the District's total investments.

Reconciliation of Cash and Investments to the Statement of Net Assets: The following is a reconciliation between cash and investments as reported in the preceding paragraphs to that reported on in the statements of net assets:

Cash and Investments per footnote:	
Cash on hand	\$ 5,140
Carrying amount of deposits	4,848,458
Investments	8,342,552
Total	<u>\$ 13,196,150</u>
Cash and Investments per Statements of Net Assets	
Government wide	\$ 13,076,779
Private Purpose Trust - Fiduciary Funds	36,563
Agency – Fiduciary Funds	82,809
Total	<u>\$ 13,196,151</u>

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Lucas 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2005 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 revenue.

The amount available as an advance at June 30, 2005, was \$844,312 in the General Fund, \$85,380 in the Debt Service Fund, and \$18,974 in the Capital Projects Fund. The amount available as an advance at June 30, 2004, was \$772,918 in the General Fund, \$87,965 in the Debt Service Fund, and \$41,322 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Industrial/Commercial	\$164,236,250	23%	\$166,126,480	22%
Agricultural/Residential	497,083,180	68%	511,320,460	69%
Public Utility	17,323,810	2%	17,886,530	3%
Tangible Personal	49,296,504	7%	44,702,785	6%
Total Assessed Value	<u>\$727,939,744</u>	<u>100%</u>	<u>\$740,036,255</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$71.10		\$70.55	

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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**6. RECEIVABLES**

Receivables at June 30, 2005, consisted of property taxes, accounts (rent and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables on the statement of net assets follows:

	<b>Amount</b>
Governmental Activities	
Taxes	\$22,868,030
Intergovernmental	535,022
Total Intergovernmental Receivables	\$23,403,052

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<b>Balance at 6/30/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/05</b>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$480,574			\$480,574
Construction in Progress		\$1,203,508		1,203,508
Total Nondepreciable Capital Assets	480,574	1,203,508		1,684,082
Depreciable Capital Assets				
Land Improvements	955,319	100,608		1,055,927
Buildings and Building Improvements	26,181,656	1,845,651		28,027,307
Furniture, Fixtures, and Equipment	4,939,758	539,448		5,479,206
Vehicles	2,661,152			2,661,152
Totals	34,737,885	2,485,707		37,223,592
Less Accumulated Depreciation:				
Land Improvements	870,532	33,598		904,130
Buildings and Building Improvements	12,519,474	783,722		13,303,196
Furniture and Fixtures	3,823,801	173,977		3,997,778
Vehicles	2,335,849	75,544		2,411,393
Total Accumulated Depreciation	19,549,656	1,066,841		20,616,497
Depreciable Capital Assets, Net	15,188,229	1,418,866		16,607,095
Governmental Activities Capital Assets, Net	\$15,668,803	\$2,622,374		\$18,291,177

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$931,168
Special	7,150
Support Services:	
Pupils	638
Administration	721
Operation and Maintenance of Plant	14,695
Pupil Transportation	11,440
Non-Instruction	3,406
Extracurricular	310
Capital Outlay	97,313
Total Depreciation Expense	<u>\$1,066,841</u>

**8. RESTRICTED ASSETS**

The District has \$127,901 in restricted pooled cash and cash equivalents for budget stabilization.

**9. RISK MANAGEMENT**

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. During fiscal year 2005, the District's insurance coverage was as follows:

Type of Coverage	Liability Limit
Buildings and Contents - replacement cost (\$1,000 deductible)	\$75,244,487
Crime Insurance	500,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000
Umbrella Coverage	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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**Notes to the Basic Financial Statements  
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**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Springfield School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$802,245, \$756,382, and \$681,826, respectively; 52 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the members. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently selected the DC or Combined Plan. Existing member with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.



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A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$2,203,415, \$2,162,066, and \$2,009,045, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**11. POST-EMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants currently receiving health care benefits is approximately 58,000.

The portion of the District's employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .245, then adding the surcharge due as of June 30, 2005, as certified to your district by SERS.

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. At June 30, 2005, a liability of \$161,009 has been provided in the General Fund and special revenue funds for earned, but used vacation leave that will be paid to the employees.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. Sick leave may be accumulated up to a maximum of 240 days for classified personnel, 260 days for administrators, and 240 days for certified personnel. Upon retirement, payment is made for up to 30 percent of accrued, but unused sick leave credit to a maximum of 72 days for classified employees and 75 days for certified employees. Upon retirement, payment is made for up to 31.25 percent of accrued, but unused sick leave credit to a maximum of 81.25 days for administrative employees. At June 30, 2005, a current liability of \$197,990 has been provided in the General Fund for earned, but unused sick leave that will be paid to the employees.

The District has recorded an estimated liability of \$1,947,651 for severance pay and sick leave payable at June 30, 2005, in accordance with GASB No. 16, "Accounting for Compensated Absences." The amount has been recorded in the government-wide financial statements since the liability will not require the use of current expendable available financial resources.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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**Notes to the Basic Financial Statements  
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**13. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2005, the following changes occurred in the long-term obligations reported in the government-wide financial statements:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>	<u>Amounts Due in One Year</u>
Government Type Activities:					
School Improvement Bonds	\$16,300,000		\$475,000	\$15,825,000	\$900,000
School Improvement Bonds	3,010,000		430,000	2,580,000	430,000
Compensated Absences	1,920,110	\$1,947,651	1,920,110	1,947,651	197,990
Total Government Activities Long Term Liabilities	<u>\$21,230,110</u>	<u>\$1,947,651</u>	<u>\$2,825,110</u>	<u>\$20,352,651</u>	<u>\$1,527,990</u>

Debt outstanding at June 2005 consisted of General Obligation School Improvement Refunding Bonds totaling \$15,825,000. The bonds were issued in 2004 and will mature in December 2024. The interest rate at June 30, 2005 was 2.00 percent to 6.125 percent for the general obligation bonds.

On September 1, 2004, the District issued general obligation bonds (Series 2004 School Improvement Refunding Bonds) to currently refund the callable portion of the School Improvement General Obligation Bonds (principal \$7,050,000; interest rate 4.35 percent). The refunded debt is considered defeased and accordingly has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$130,342. This amount is netted against the old debt and amortized over the remaining life of the refunded debt. The carrying amount as of June 30, 2005 was \$117,308.

The refunding was undertaken to reduce total debt service payments over the next 10 years by \$334,248 and resulted in an economic gain of \$428,858.

The refunding bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Bond Retirement Debt Service Fund. The source of payment is derived from a current tax levy.

Total expenditures for interest for the above debt for the period ended June 30, 2005 was \$804,516.

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The scheduled payments of principal and interest requirements on debt outstanding at June 30, 2005, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$1,330,000	\$764,428	\$2,094,428
2007	1,390,000	717,091	2,107,091
2008	1,415,000	665,210	2,080,210
2009	1,440,000	608,916	2,048,916
2010	1,475,000	547,878	2,022,878
2011 – 2015	5,725,000	1,918,482	7,643,482
2016 – 2020	2,465,000	1,151,187	3,616,187
2021 – 2025	3,165,000	432,469	3,597,469
Totals	<u>\$18,405,000</u>	<u>\$6,805,661</u>	<u>\$25,210,661</u>

**14. SET-ASIDES**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount 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 year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital acquisition, and budget stabilization during fiscal year 2005.

	<b>Textbooks</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>
Balance June 30, 2004	(\$222,792)		\$127,901
Current Year Set Aside Requirement	529,940	\$529,940	
Current Year Offset			
Qualifying Expenditures	(838,430)	(529,940)	
Balance June 30, 2005	<u>(\$531,282)</u>		<u>127,901</u>
Amount Carried Forward to Fiscal Year 2006	<u>(\$531,282)</u>		
Cash Balance at June 30, 2005			<u>\$127,901</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero in the capital acquisition. Although the District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and therefore, are not presented.

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the five counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained from the Treasurer at 22-900 State Route 34, Archbold, Ohio 43502

**B. Penta County Career Center**

The Penta County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the sixteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Joint Vocational School District, Carrie J. Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551.

**16. INSURANCE POOLS**

**A. OSBA Workers' Compensation Group Rating Plan**

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group-rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

**B. Northwest Ohio Educational Council Self-Insurance Pool Program**

The Springfield Local School District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (NOEC Program), an insurance purchasing pool. The NOEC Program was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The Northwest Ohio Educational Council (NWOEC) is a Council of Governments created pursuant to Chapter 167.01 of the Ohio Revised Code. The NOEC Program is a non-profit organization of its members and an instrumentality for each member for the purpose of enabling members of the NOEC Program to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The NOEC Program's business and affairs are conducted by a 9 member Insurance Committee created by the governing board of the NWOEC. The NOEC Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing.

**17. SCHOOL FOUNDATION PROGRAM**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

**18. INTERFUND TRANSFERS**

During the year ended June 30, 2005, the General Fund transferred \$179,675 to Other Non-major Governmental Funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

**19. COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

**B. Litigation**

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

**C. Construction Commitments**

At June 30, 2006 the School District has construction commitments, on which work has commenced, totaling approximately \$3,785,000, which will be funded by existing resources.

**20. CHANGE IN ACCOUNTING PRINCIPLE**

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

**21. RESTATEMENT OF FUND BALANCES**

The District has implemented GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Notes to the Basic Financial Statements  
For the Year Ended June 30, 2005**

The implementation of this Bulletin had the following effect on fund balance of the General Fund as previously reported at June 30, 2004:

	<u><b>General Fund</b></u>
Fund Balance, June 30, 2004	(\$1,767,142)
GASB Technical Bulletin No. 2004-02	<u>(289,726)</u>
Restated Fund Balance, June 30, 2004	<u><u>(\$2,056,868)</u></u>

**22. SUBSEQUENT EVENT**

The Board agreed to place on the ballot, in August 2006, an additional levy for the payment of current expense to be certified by the county auditor at \$2.9 million.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual Comparison (Non-GAAP Basis)  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 20,702,000	\$ 20,702,000	\$ 20,702,405	\$ 405
Intergovernmental	8,164,000	8,164,000	8,201,717	37,717
Interest	100,000	100,000	152,379	52,379
Tuition and Fees	744,500	744,500	657,685	(86,815)
Rent	40,000	40,000	56,777	16,777
Gifts and Donations		12,000	27,500	15,500
Customer Sales and Services	11,800	11,800	25,624	13,824
Payments in Lieu of Taxes	6,200	6,200	3,742	(2,458)
Miscellaneous	184,300	184,300	112,260	(72,040)
Total Revenues	29,952,800	29,964,800	29,940,089	(24,711)
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	13,666,390	14,659,265	14,305,181	354,084
Special	2,898,728	2,900,728	3,017,028	(116,300)
Vocational	274,615	287,615	290,033	(2,418)
Other	2,058,475	2,089,975	1,947,318	142,657
Support Services:				
Pupils	1,467,217	1,473,782	1,422,768	51,014
Instructional Staff	534,417	593,967	593,595	372
Board of Education	29,150	36,650	53,402	(16,752)
Administration	2,523,785	2,449,170	2,505,029	(55,859)
Fiscal	606,199	608,199	569,693	38,506
Operation and Maintenance of Plant	3,211,772	3,214,972	3,046,548	168,424
Pupil Transportation	1,959,459	1,995,249	1,860,460	134,789
Central	91,869	93,469	82,739	10,730
Extracurricular Activities	775,090	775,090	785,910	(10,820)
Total Expenditures	30,097,166	31,178,131	30,479,704	698,427
Excess of Revenues Over (Under) Expenditures	(144,366)	(1,213,331)	(539,615)	673,716
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	1,259,330	1,406,115		(1,406,115)
Proceeds from Sale of Fixed Assets			16,853	16,853
Refund of Prior Year Expenditures	3,500	3,500	140,624	137,124
Transfers Out	(1,300,000)	(1,465,420)	(179,675)	1,285,745
Total Other Financing Sources and Uses	(37,170)	(55,805)	(22,198)	33,607
Net Change in Fund Balances	(181,536)	(1,269,136)	(561,813)	707,323
Fund Balance (Deficit) at Beginning of Year	969,377	969,377	969,377	
Prior Year Encumbrances Appropriated	567,346	567,346	567,346	
Fund Balance at end of Year	\$ 1,355,187	\$ 267,587	\$ 974,910	\$ 707,323

See accompanying notes to the basic financial statements.



**SPRINGFIELD LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2005**

<b>Federal Grantor / Pass-through Grantor/ Program or Cluster Title</b>	<b>Pass-Through Entity Identification Number</b>	<b>Federal CFDA Number</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>Passed through the Ohio Department of Education</b>		
Nutrition Cluster:		
Food Distribution Program		10.550
National School Breakfast Program	05-PU 2004 & 2005	10.553
National School Lunch Program	LLP4 2004 & 2005	10.555
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b>Passed through the Ohio Department of Education</b>		
Special Education Grants to States (IDEA Part B)	6BSF 2004 & 2 005	84.027
Grants to Local Educational Agencies (ESEA Title I)	C1S1 2004 & 2005	84.010
Innovative Educational Program Strategies	C2S1 2004 & 2005	84.298
Safe and Drug-Free Schools Grant	DRS1 2004 & 2005	84.186
Improving Teacher Quality State Grants (Title IIA)	TRS1 2004 & 2005	84.367
Educational Technology State Grants (Title IID)	TJS1 2004 & 2005	84.318
<b>Total Department of Education</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<b>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</b>		
Title XIX Medical Assistance Community Alternative Funding System		93.778
State Children's Health Insurance Program		93.767
<b>Total Department of Health and Human Services</b>		
<b>Total Federal Awards Expenditures</b>		

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	54,224		54,224
43,096		43,096	
<u>311,014</u>		<u>311,014</u>	
<u>354,110</u>	<u>54,224</u>	<u>354,110</u>	<u>54,224</u>
807,904		1,043,923	
447,048		462,438	
26,317		39,974	
3,164		119,233	
136,615		149,788	
<u>22,660</u>		<u>23,392</u>	
<u>1,443,708</u>	<u>0</u>	<u>1,838,748</u>	<u>0</u>
45,058		45,058	
<u>3,914</u>		<u>3,914</u>	
<u>48,972</u>	<u>0</u>	<u>48,972</u>	<u>0</u>
<u><u>1,846,790</u></u>	<u><u>54,224</u></u>	<u><u>2,241,830</u></u>	<u><u>54,224</u></u>

The accompanying notes are an integral part of this schedule.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards summarizes activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

# GILMORE, JASION & MAHLER, LTD

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Springfield Local School District  
Holland, Ohio

We have audited the financial statements of the Springfield Local School District (District) as of and for the year ended June 30, 2005, and have issued our report thereon, dated May 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 2005-1.

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,  
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board members, the Springfield Local School District's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gilmore, Jason & Mahler, LTD*

May 11, 2006

# GILMORE, JASION & MAHLER, LTD

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Springfield Local School District  
Holland, Ohio

### Compliance

We have audited the compliance of Springfield Local School District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,  
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board Members, the Springfield Local School District's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gilmore, Jason & Mahler, LTD*

May 11, 2006

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2005**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	No
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

**Identification of major programs**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	Title I Grants to Local Education Agencies
84.367	Title II Part A Improving Teacher Quality State Grant
Dollar threshold used to distinguish between type A and type B programs	\$300,000

Auditee qualified as low-risk auditee?	Yes
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## Section II – Financial Statement Findings

### Finding 05-01-Capital Assets

#### Condition

For the year ended June 30, 2004 finding 2004-001 has not yet been corrected. Testing of the School District's capital assets records disclosed a failure to employ adequate controls over the processing and recording of capital asset additions, deletions, transfers, and depreciation.

#### Cause

The lack of controls could result in the possible misappropriation of assets going undetected and misrepresentation of The District's capital assets value on the financial statements. Testing of The District's capital assets records disclosed the following deficiencies:

- The Inventory (Fixed Asset) Policy is lacking detail as to the process and procedures needed in the reporting of capital assets
- The District does not use the NWOCA Equipment Inventory System (EIS) for the tracking of capital assets and related depreciation. The last updated capital asset record showing any detail of the District's capital assets was June 30, 2001.
- Since June 30, 2001, The District has manually updated the capital asset balances and accumulated depreciation.
- No attempt was made to record disposals and the affect on the depreciation expense.
- There is no policy regarding the manner depreciation expense should be allocated

#### Recommendation

To maintain adequate safeguards over capital assets, and to reduce the risk of misstatement, we recommend The District perform a review of the current Inventory (Fixed Asset) Policy. The following should be considered: written procedures required to update additions, deletions, useful life and depreciation methods and the function to which the asset is assigned. Consideration of implementation of the NWOCA Equipment Inventory System (EIS) to allow for the updating and maintenance of the capital asset records on-line. Maintain documentation for changes in capital assets acquisitions, deletions, depreciation and any other corrections. An allocation method should be determined for the positing of depreciation expense to the function (i.e. regular, special instruction) that the capital asset serves.

#### Management response

Management plans to have an inventory performed of all assets upon the completion of the current upgrades occurring throughout all of the schools in the District. At that time, proper policies will be adopted and implemented.

## Section III – Federal Award Findings and Questioned Costs

None

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR YEAR (2004) AUDIT FINDINGS**

Finding 04-01 as reported in the Schedule of Findings and Questioned Costs for the year ended June 30, 2004 is still applicable. The finding and current status is listed as finding 05-01 in the 2005 Schedule of Findings and Questioned Costs.

Finding 04-02 as reported in the Schedule of Findings and Questioned costs for the year ended June 30, 2004 is no longer applicable. Management has implemented using Sales Potential Forms for Student Activities.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
LUCAS 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  
JUNE 29, 2006**