



Dave Yost • Auditor of State



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Springfield Local School District  
Summit County  
2960 Sanitarium Rd  
Akron, OH 44312

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2011, 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 opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Summit County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2011 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 6, 2012

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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The discussion and analysis of the Springfield Local School District's ("School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key Financial Highlights for 2011 are as follows:

- ❑ General Revenues accounted for \$32.5 million in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$8 million or 20% of total revenues of \$40.5 million.
- ❑ Total program expenses were \$27.6 million.
- ❑ In total, net assets increased \$12.8 million from 2010.
- ❑ For fiscal year 2011, \$33,724,861 in school improvement bonds were issued for construction of a new 7 through 12 campus. Construction in progress at year end was \$1,770,094.

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" 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 the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

- ❑ Governmental Activities - All of the School District's programs and services are reported here, including instruction, support services, food service operations and extracurricular activities.

The government-wide financial statements begin on page 12.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund the building fund and the classroom facilities fund.

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

Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the general fund, building fund, and the classroom facilities fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 14.

**Proprietary Funds** - The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Proprietary funds use full accrual accounting.

The proprietary fund financial statements begin on page 19.

**Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to report proprietary funds.

The fiduciary fund financial statements begin on page 22.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24.



**Springfield Local School District (Summit County, Ohio)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2011	2010
<b>Assets</b>		
Current and Other Assets	\$ 61,464,528	\$ 15,637,480
Capital Assets	4,155,150	2,290,959
Total Assets	65,619,678	17,928,439
<b>Liabilities</b>		
Long-Term Liabilities	35,751,469	1,527,518
Other Liabilities	15,440,951	14,807,194
Total Liabilities	51,192,420	16,334,712
<b>Net Assets</b>		
Invested in Capital Assets Net of Debt	1,944,146	1,754,744
Restricted for:		
Debt Service	846,789	15,508
Other Purposes	1,622,753	569,348
Capital Projects	7,451,919	244,333
Unrestricted (Deficit)	2,561,651	(990,206)
Total Net Assets	\$ 14,427,258	\$ 1,593,727

Total assets increased by \$47,691,239. The overall increase was primarily due to an increase in cash from the issuance of general obligation bonds of \$33,724,861, an increase in intergovernmental receivables due to Ohio Schools Facilities funding and taxes receivable related to collections on a new tax levy.

Total liabilities increased by \$34,857,708. This increase was primarily due to the issuance of general obligation bonds and deferred revenue related to the increase in taxes receivable.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2011 as compared to fiscal year 2010.

**(Table 2)  
Governmental Activities**

	<u>2011</u>	<u>2010</u>
<b><i>Revenues</i></b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,915,938	\$ 2,726,038
Operating Grants	5,067,139	3,472,383
<i>General Revenue:</i>		
Property Taxes	12,318,341	10,641,906
Grants and Entitlements	20,080,770	12,258,168
Other	<u>90,725</u>	<u>167,886</u>
<i>Total Revenues</i>	<u>40,472,913</u>	<u>29,266,381</u>
<b><i>Program Expenses</i></b>		
Instruction	16,300,719	17,735,496
Support Services	8,079,024	8,487,157
Operation of Non-Instructional	1,043,227	929,056
Extracurricular Activities	677,510	641,066
Interest and Fiscal Charges	<u>1,538,902</u>	<u>81,193</u>
<i>Total Expenses</i>	<u>27,639,382</u>	<u>27,873,968</u>
Change in Net Assets	<u>\$ 12,833,531</u>	<u>\$ 1,392,413</u>

Revenue increased by 38% in 2011 which was due primarily from revenue recognized from the receivable reported from the Ohio Schools Facilities for construction of a new 7 through 12 campus. Also causing revenues to increase were new tax collections associated with a prior year levy passage to participate in the OSFC program. While expenses decreased by 0.84%, overall expenses remained consistent as compared to the prior year.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities had total revenues of \$40.5 million and expenses of \$27.6 million.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

**(Table 3)  
Governmental Activities**

	2011		2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,300,719	\$ 10,075,994	\$ 17,735,496	\$ 12,905,416
Support Services:				
Pupil and Instructional Staff	2,084,008	2,052,766	2,191,523	2,135,402
Board of Education, Administration, Fiscal and Business	2,373,655	2,373,655	2,433,467	2,403,016
Operation and Maintenance of Plant and Central	2,244,890	2,244,890	2,458,418	2,458,418
Pupil Transportation	1,376,471	1,376,471	1,403,749	1,403,749
Operation of Non-Instructional	1,043,227	96,082	929,056	(64,295)
Extracurricular Activities	677,510	395,461	641,066	352,648
Interest and Fiscal Charges	1,538,902	1,040,986	81,193	81,193
<b>Total Expenses</b>	<b>\$ 27,639,382</b>	<b>\$ 19,656,305</b>	<b>\$ 27,873,968</b>	<b>\$ 21,675,547</b>

Instruction and Student Support Services comprise 75.1% of governmental program expenses. Interest/Fiscal charges were 5.6%. Interest expense was attributable to the outstanding notes and general obligation bonds, and fiscal expenses include payments to the Fiscal Officer for administrative fees. Pupil transportation and the operation/maintenance of plant accounts for 13.1% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Springfield Local School District students.

***The School District's Funds***

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of approximately \$35.3 million and expenditures of approximately \$29.9 million in fiscal year 2011.

The general fund reported an increase in fund balance \$2.5 million during the fiscal year. This increase was achievable through cost reductions throughout the School District as the district moves toward getting out of fiscal emergency.

The building and the classroom facilities funds reported increases in fund balance of \$8.2 million and \$27.7 million, respectively during the fiscal year. These increases were from debt proceeds and Ohio Schools Facilities grant money received prior to costs being incurred for construction.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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**General Fund Budgeting Highlights**

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

For the general fund, final budget basis revenue was \$24.5 million, under original budget estimates of \$24.6 million. The \$100,000 decrease was primarily attributable to intergovernmental and tax revenue being less than originally expected. Actual budget basis revenues and other financing sources for fiscal year 2011 totaled \$25.1 million, which was \$402,357 more than the final budget basis revenue. The increase was primarily due to intergovernmental and tax revenue being less than originally expected.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$24 million were the same as the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$22.8 million, which was \$1.2 million less than the final budget appropriations. The School District was able to reduce expenditures across the board in order to conserve resources in anticipation of future budget deficits.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the School District had approximately \$4.2 million invested in construction in progress, land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities	
	2011	2010
Construction in Progress	\$ 1,770,094	\$ 0
Land	967,020	687,020
Land Improvements	78,926	81,860
Buildings and Improvements	927,574	992,154
Furniture and Equipment	404,045	517,441
Vehicles	7,491	12,484
Totals	<u>\$ 4,155,150</u>	<u>\$ 2,290,959</u>

The \$1.9 million increase in capital assets was attributable to additional purchases exceeding depreciation expense which were primarily the construction in progress and land purchased from the OSFC money received to construct a new building. See Note 9 for further information.

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2011, this amounted to \$326,913 for each set aside. The current year set-aside normally required for textbooks and capital improvements was waived by a

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

unanimous vote of the Board of Education to appropriate the funds for other purposes due to fiscal emergency being declared May 11, 2007. See Note 19 for further details.

**Debt**

At June 30, 2011, the School District had \$346,149 in long-term notes outstanding with \$79,232 due within one year. During fiscal year 2011, \$74,811 of the energy conservation notes were retired. Table 5 summarizes debt outstanding. See Note 15 for additional information.

**(Table 5)  
Outstanding Debt, at June 30**

	Governmental Activities 2011	Governmental Activities 2010
	<u>          </u>	<u>          </u>
Energy Conservation Note: Rate 5.91% Due 12/1/2014	\$ 346,149	\$ 420,960
Totals	<u>\$ 346,149</u>	<u>\$ 420,960</u>

On August 31, 2010, the School District issued \$33,724,861 in voted general obligation bonds for the purpose of constructing, furnishing, equipping and improving a new school building for grades 7 through 12 along with related abatement and demolition and other school district building improvements. Table 6 summarizes debt outstanding. See Note 15 for additional information.

**(Table 6)  
Outstanding Debt, at June 30**

	Governmental Activities 2011
	<u>          </u>
<i>School Facilities Improvement Bonds</i>	
Series 2010A Tax-Exempt bond	\$ 1,540,000
Premium Capital Appreciation Bond	724,861
Accretion on CAB's	128,232
Series 2010B Build America Bonds	20,200,000
Series 2010C Qualified School Construction Bonds	11,260,000
Issuance Premium	400,689
	<u>\$ 34,253,782</u>

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)*

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***Current Issues***

The Springfield Local School District continues to receive strong support from the residents of the school district. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in March 2000. A bond levy was passed in August, 2010 for construction of a new 7 through 12 campus.

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 30.4% of revenues for governmental activities for the Springfield Local School District in fiscal year 2011.

The School District has also been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy will be stretched for nine years. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

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

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

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

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

The financial forecast future of the School District is not without its challenges though. These challenges are external in nature. These external challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Internally, the challenge of operating expenses exceeding revenue resulted in the certification of an operating deficit on March 18, 2007 by the Auditor of State of Ohio. With the failure of a 9.48 mill operating levy in the May 2007 election, a declaration of fiscal emergency was declared on May 11, 2007 pursuant to ORC 3316.03. On May 16, 2007, a Financial Planning & Supervision

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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2011*

*(Unaudited)*

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Commission chaired by William Wenger was established. Facing the situation of ending the fiscal year with a negative general fund cash balance, on June 22, 2007 an advance of \$1,912,000 from the Solvency Assistance Fund was approved pursuant to ORC 3316.20(B). In summary, the operating control of the fiscal affairs of the School District has been assumed by the State of Ohio. In response to these challenges, the district's management has adopted on August 19, 2008 a recovery plan pursuant to ORC 3316 in order to rectify said situation. See Notes 1 and 17 for more information on fiscal distress of the School District.

The good news is that after years of stringent fiscal control, the School District was released from fiscal emergency as of November 22, 2011. The final reports are being reviewed to satisfy all requirements dictated by law. It is important to note that the School District will get out of State control without the need of additional operating monies.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Chris Adams, Treasurer of Springfield Local School District, 2960 Sanitarium Road, Akron, Ohio 44312.

Springfield Local School District (Summit County, Ohio)

Statement of Net Assets

June 30, 2011

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash and investments	\$ 41,815,496
Receivables:	
Taxes	13,493,419
Intergovernmental	5,755,059
Deferred Charges	400,554
Nondepreciable capital assets	2,737,114
Depreciable capital assets (net)	1,418,036
<i>Total assets</i>	<u>65,619,678</u>
<b>Liabilities</b>	
Accounts payable	9,650
Accrued wages and benefits	2,538,822
Vacation benefits payable	141,481
Intergovernmental payable	878,725
Accrued interest payable	459,642
Deferred revenue	11,141,648
Claims payable	250,000
Matured compensated absences	20,983
Long term liabilities:	
Due within one year	129,177
Due in more than one year	35,622,292
<i>Total liabilities</i>	<u>51,192,420</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,944,146
Restricted for:	
Debt service	846,789
Capital projects	7,451,919
Other purposes	1,622,753
Unrestricted	2,561,651
<i>Total net assets</i>	<u>\$ 14,427,258</u>

See accompanying notes to the basic financial statements.



**Springfield Local School District (Summit County, Ohio)**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 10,354,086	\$ 2,379,917	\$ 1,945,502	\$ (6,028,667)
Special	3,193,860	0	1,899,306	(1,294,554)
Vocational	276,895	0	0	(276,895)
Other	2,475,878	0	0	(2,475,878)
Support services:				
Pupils	1,152,992	0	5,000	(1,147,992)
Instructional staff	931,016	0	26,242	(904,774)
Board of education	85,416	0	0	(85,416)
Administration	1,536,278	0	0	(1,536,278)
Fiscal	611,843	0	0	(611,843)
Business	140,118	0	0	(140,118)
Operation and maintenance of plant	2,184,119	0	0	(2,184,119)
Pupil transportation	1,376,471	0	0	(1,376,471)
Central	60,771	0	0	(60,771)
Food service operations	918,528	250,645	679,525	11,642
Uniform supplies	4,781	3,327	13,648	12,194
Community education	119,918	0	0	(119,918)
Extracurricular activities	677,510	282,049	0	(395,461)
Interest and fiscal charges	1,538,902	0	497,916	(1,040,986)
<i>Total governmental activities</i>	<u>\$ 27,639,382</u>	<u>\$ 2,915,938</u>	<u>\$ 5,067,139</u>	<u>(19,656,305)</u>
<b>General Revenues</b>				
Property taxes levied for:				
General purposes				10,682,198
Debt service				1,249,299
Capital outlay				386,844
Grants and entitlements not restricted to specific programs				20,080,770
Investment earnings				4,085
Miscellaneous				86,640
Total general revenues				32,489,836
Change in net assets				12,833,531
Net assets beginning of year				1,593,727
Net assets end of year				<u>\$ 14,427,258</u>

See accompanying notes to the basic financial statements.

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

*Balance Sheet  
Governmental Funds  
June 30, 2011*

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in pooled cash and investments	\$ 3,675,463	\$ 8,198,240	\$ 27,616,216	\$ 1,435,557	\$ 40,925,476
Receivables:					
Taxes	11,118,426	0	0	2,374,993	13,493,419
Interfund	204,939	0	0	0	204,939
Intergovernmental	235,417	0	4,323,043	1,196,599	5,755,059
<i>Total assets</i>	<u>\$ 15,234,245</u>	<u>\$ 8,198,240</u>	<u>\$ 31,939,259</u>	<u>\$ 5,007,149</u>	<u>\$ 60,378,893</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,298	\$ 0	\$ 0	\$ 7,352	\$ 9,650
Accrued wages and benefits	2,489,420	0	0	49,402	2,538,822
Interfund payable	0	0	0	204,939	204,939
Intergovernmental payable	839,239	0	0	39,486	878,725
Deferred revenue	9,969,407	0	4,277,750	3,076,558	17,323,715
Matured compensated absences	20,983	0	0	0	20,983
<i>Total liabilities</i>	<u>13,321,347</u>	<u>0</u>	<u>4,277,750</u>	<u>3,377,737</u>	<u>20,976,834</u>
<b>Fund Balances</b>					
Restricted	0	8,198,240	27,661,509	1,815,806	37,675,555
Assigned	214,413	0	0	0	214,413
Unassigned	1,698,485	0	0	(186,394)	1,512,091
<i>Total fund balances</i>	<u>1,912,898</u>	<u>8,198,240</u>	<u>27,661,509</u>	<u>1,629,412</u>	<u>39,402,059</u>
<i>Total liabilities and fund balances</i>	<u>\$ 15,234,245</u>	<u>\$ 8,198,240</u>	<u>\$ 31,939,259</u>	<u>\$ 5,007,149</u>	<u>\$ 60,378,893</u>

See accompanying notes to the basic financial statements.

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

*Reconciliation of Total Governmental Fund Balances to*

*Net Assets Governmental Activities*

*June 30, 2011*

Total Governmental Fund Balances		\$	39,402,059
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			4,155,150
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.			
Grants	\$	5,254,864	
Excess Costs		234,311	
Delinquent Property Taxes		<u>692,892</u>	6,182,067
Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on an accrual basis.			400,554
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.			640,020
Long-term liabilities, including bonds, notes payable, are not due and payable in the current period and therefore, are not reported in the funds.			
General Obligation Bonds		(34,253,782)	
Energy Conservation Notes		(346,149)	
Capital Lease Payable		(94,900)	
Accrued Interest Payable		(459,642)	
Compensated Absences		(1,056,638)	
Vacation Benefits Payable		<u>(141,481)</u>	<u>(36,352,592)</u>
Net Assets of Governmental Activities		\$	<u>14,427,258</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District (Summit County, Ohio)**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
For the Fiscal Year Ended June 30, 2011

	General	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 10,696,026	\$ 0	\$ 0	\$ 1,509,218	\$ 12,205,244
Intergovernmental	11,841,301	0	3,873,559	4,316,062	20,030,922
Investment income	4,085	0	31,284	0	35,369
Tuition and fees	2,309,033	0	0	0	2,309,033
Extracurricular activities	132,395	0	0	145,504	277,899
Rentals	99,693	0	0	0	99,693
Charges for services	0	0	0	250,644	250,644
Gifts and Donations	2,569	0	0	1,052	3,621
Miscellaneous	86,640	0	0	0	86,640
<i>Total revenues</i>	25,171,742	0	3,904,843	6,222,480	35,299,065
<b>Expenditures</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	9,648,870	0	0	944,425	10,593,295
Special	1,863,960	0	0	1,385,026	3,248,986
Vocational	282,222	0	0	0	282,222
Other	2,475,878	0	0	0	2,475,878
<b>Support services:</b>					
Pupils	1,113,788	0	0	56,445	1,170,233
Instructional staff	914,004	0	0	10,158	924,162
Board of education	41,349	0	0	0	41,349
Administration	1,558,490	0	0	26,441	1,584,931
Fiscal	610,231	0	0	0	610,231
Business	137,717	0	0	0	137,717
Operation and maintenance of plant	2,010,704	0	0	11,744	2,022,448
Pupil transportation	1,366,117	0	0	0	1,366,117
Central	60,771	0	0	0	60,771
Food service operations	0	0	0	910,788	910,788
Uniform supplies	4,781	0	0	0	4,781
Community education	0	0	0	117,352	117,352
Extracurricular activities	527,714	0	0	142,802	670,516
Capital outlay	60,991	346,321	1,423,773	362,742	2,193,827
<b>Debt service:</b>					
Principal retirement	20,355	0	0	74,811	95,166
Interest and fiscal charges	7,413	0	0	943,619	951,032
Bond issuance costs	0	0	411,998	0	411,998
<i>Total expenditures</i>	22,705,355	346,321	1,835,771	4,986,353	29,873,800
<i>Excess of revenues over/(under) expenditures</i>	2,466,387	(346,321)	2,069,072	1,236,127	5,425,265
<b>Other financing sources</b>					
Proceeds from sales of capital assets	1,487	0	0	0	1,487
General obligation bonds issued	0	8,544,561	25,180,300	0	33,724,861
Premium on bonds issued	0	0	412,137	0	412,137
<i>Total other financing sources</i>	1,487	8,544,561	25,592,437	0	34,138,485
<i>Net change in fund balance</i>	2,467,874	8,198,240	27,661,509	1,236,127	39,563,750
<i>Fund balance (deficit) at beginning of year (Restated)</i>	(554,976)	0	0	393,285	(161,691)
<i>Fund balance at end of year</i>	<u>\$ 1,912,898</u>	<u>\$ 8,198,240</u>	<u>\$ 27,661,509</u>	<u>\$ 1,629,412</u>	<u>\$ 39,402,059</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District (Summit County, Ohio)**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$	39,563,750
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation outlay in the current period.		
Capital Asset Additions	\$ 2,073,469	
Current Year Depreciation	<u>(208,864)</u>	1,864,605
 Net effect of transactions involving sale of capital assets are not reflected in the funds.		
		(414)
 Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
		400,554
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	5,085,701	
Delinquent Property Taxes	113,097	
Excess Costs	<u>(24,950)</u>	5,173,848
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Note Principal	74,811	
Capital Leases	<u>20,355</u>	95,166
 The issuance of bonds and notes results in expenditures and other financing sources and uses in the governmental funds, but these transactions are not reflected in the Statement of Net Assets as long-term assets and liabilities.		
General Obligation Bonds Issued	(33,724,861)	
Premium on New Bonds	<u>(412,137)</u>	(34,136,998)
 Some expenses reported in the Statement of Activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Accrued Interest	(459,642)	
Bond Accretion	(128,232)	
Amortization of Bond Premium	11,448	
Compensated Absences	(65,335)	
Vacation Benefits Payable	<u>(11,333)</u>	(653,094)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide Statement of Activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>526,114</u>
 Change in Net Assets of Governmental Activities	 \$	 <u>12,833,531</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District (Summit County, Ohio)**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 10,415,348	\$ 10,361,941	\$ 10,532,122	\$ 170,181
Intergovernmental	11,513,296	11,454,257	11,642,379	188,122
Investment Income	4,000	3,980	4,045	65
Tuition and fees	2,278,580	2,266,896	2,304,127	37,231
Rent	315,780	314,160	319,320	5,160
Miscellaneous	98,588	98,082	99,693	1,611
<i>Total revenues</i>	<u>24,625,592</u>	<u>24,499,316</u>	<u>24,901,686</u>	<u>402,370</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,242,210	10,242,210	9,688,213	553,997
Special	1,901,373	1,901,373	1,695,632	205,741
Vocational	285,097	285,097	280,203	4,894
Other	2,735,153	2,735,153	2,480,878	254,275
Support services:				
Pupils	1,231,399	1,231,399	1,135,503	95,896
Instructional staff	899,235	899,235	919,345	(20,110)
Board of education	33,981	33,981	34,951	(970)
Administration	1,577,188	1,577,188	1,590,280	(13,092)
Fiscal	665,508	665,508	616,029	49,479
Business	131,963	131,963	138,773	(6,810)
Operation and maintenance of plant	2,135,363	2,135,363	2,084,050	51,313
Pupil transportation	1,422,458	1,422,458	1,381,171	41,287
Central	61,747	61,747	60,771	976
Extracurricular activities	320,637	320,637	373,135	(52,498)
Capital outlay	114,581	114,581	69,127	45,454
<i>Total expenditures</i>	<u>23,757,893</u>	<u>23,757,893</u>	<u>22,548,061</u>	<u>1,209,832</u>
Excess of revenues over expenditures	867,699	741,423	2,353,625	1,612,202
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	1,500	1,500	1,487	(13)
Advances in	211,773	211,773	211,773	0
Advances out	(212,000)	(212,000)	(206,267)	5,733
<i>Total other financing sources (uses)</i>	<u>1,273</u>	<u>1,273</u>	<u>6,993</u>	<u>5,720</u>
<i>Net change in fund balance</i>	868,972	742,696	2,360,618	1,617,922
<i>Fund balance at beginning of year</i>	1,045,394	1,045,394	1,045,394	0
Prior year encumbrances appropriated	59,020	59,020	59,020	0
<i>Fund balance at end of year</i>	<u>\$ 1,973,386</u>	<u>\$ 1,847,110</u>	<u>\$ 3,465,032</u>	<u>\$ 1,617,922</u>

See accompanying notes to the basic financial statements.

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

*Statement of Net Assets*

*Proprietary Fund*

*June 30, 2011*

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	Governmental Activities Internal Service Fund
<b>Assets</b>	
Current assets:	
Equity in pooled cash and investments	\$ 890,020
<b>Liabilities</b>	
Current liabilities:	
Claims payable	250,000
<b>Net Assets</b>	
Unrestricted	640,020
<b><i>Total net assets</i></b>	<b>\$ 640,020</b>

See accompanying notes to the basic financial statements.

**Springfield Local School District (Summit County, Ohio)**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for services	\$ 3,432,973
<b>Operating Expenses</b>	
Administrative fees	415,375
Claims expense	2,491,484
<i>Total operating expenses</i>	<i>2,906,859</i>
<i>Change in net assets</i>	526,114
<i>Net assets beginning of year</i>	<i>113,906</i>
<i>Net assets end of year</i>	<i>\$ 640,020</i>

See accompanying notes to the basic financial statements.



Springfield Local School District (Summit County, Ohio)

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2011

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	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>	
Cash received for charges for service customers	\$ 3,432,973
Cash paid for claims	(2,556,484)
Cash paid for administration fees	(415,375)
	<hr/>
<i>Net cash provided by operating activities</i>	461,114
	<hr/>
<i>Net increase in cash and investments</i>	461,114
	<hr/>
<i>Cash and investments at beginning of year</i>	428,906
	<hr/>
<i>Cash and investments at end of year</i>	\$ 890,020
	<hr/> <hr/>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating income	\$ 526,114
Adjustments:	
Claims payable	(65,000)
	<hr/>
<i>Total adjustments</i>	(65,000)
	<hr/>
<i>Net cash provided by operating activities</i>	\$ 461,114
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

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

*Statement of Fiduciary Assets and Liabilities*

*Fiduciary Funds*

*June 30, 2011*

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	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Equity in pooled cash and investments	<u>\$ 943</u>	<u>\$ 59,149</u>
<b>Liabilities</b>		
Accounts payable	\$ 0	\$ 5,505
Undistributed monies	0	5,263
Due to students	<u>0</u>	<u>48,381</u>
<i>Total liabilities</i>	<u>0</u>	<u>\$ 59,149</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>943</u>	
<i>Total net assets</i>	<u>\$ 943</u>	

See accompanying notes to the basic financial statements.

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

*Statement of Changes in Fiduciary Net Assets*

*Fiduciary Funds*

*For the Fiscal Year Ended June 30, 2011*

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	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>Deductions</b>	
Payments in accordance with trust agreement	<u>\$ 1,000</u>
<i>Change in Net Assets</i>	(1,000)
<i>Net Assets Beginning of Year</i>	<u>1,943</u>
<i>Net Assets End of Year</i>	<u><u>\$ 943</u></u>

See accompanying notes to the basic financial statements.

## **Springfield Local School District (Summit County, Ohio)**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. Each member is elected to a four year term. The Board of Education controls the School District's seven instructional support facilities staffed by 121 classified employees and 170 certified full-time teaching personnel who provide services to 2,429 students and other community members.

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

On May 16, 2007, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State under Section 3316.03 B (5), Ohio Revised Code. In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Fiscal Officer of Summit County. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once a plan is adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan. The recovery plan was adopted on August 19, 2008. State law requires that the plan be updated annually. The recovery plan includes staff reductions, the closure of one elementary school building, and the sale of two vacant buildings. The Board and the Commission have taken action to revise the recovery plan for fiscal year 2011 and beyond which includes closely monitoring those spending areas over which it can exercise more discretion, continue monitoring the cafeteria operation with a goal of being self-supporting, and to review special education transportation outside the School District. The Recovery Plan for fiscal year 2011 concluded with the School District cash balance exceeding \$3.5 million. It is expected that the Springfield Local School District will exit fiscal emergency by December 2011.

### ***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

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

The School District participates in one jointly governed organization, the Northeastern Ohio Network (NEOnet), which is presented in Note 18 to the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

The following are the most significant of the School District's accounting policies.

**A. Basis of Presentation**

The School 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

## Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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

### **B. Fund Accounting**

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

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

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

**Building Fund** The building capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities.

**Classroom Facilities Fund** The classroom facilities capital projects fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

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

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net 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

## Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust scholarship fund and agency funds. The School District's agency funds account for student advance placement testing and student activities.

### **C. Measurement Focus**

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

**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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

### **D. Basis of Accounting**

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

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

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

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

***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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Cash and Investments***

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



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
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During fiscal year 2011, investments were limited to STAROhio, (the State Treasurer's Investment Pool), U.S Treasury and agency securities, repurchase agreements and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011. Repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$4,085 which includes \$2,931 assigned from other School District funds.

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

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, or laws of other governments or by enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as reserve for budget stabilization, which is now optional as determined by the School District. See Note 19 for calculation of the year-end restricted asset balance and the corresponding fund balance restrictions.

***G. Capital Assets***

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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

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

***H. Inventory***

On 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 fund financial statements, inventories of governmental and proprietary funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed.

***I. Interfund Balances***

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

***J. Compensated Absences***

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

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

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

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated leave are paid.

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

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

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

***L. 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include extracurricular activities, operation and maintenance of plant, and special education instruction.

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

***M. Fund Balance***

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

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

***N. Operating Revenues and Expenses***

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

***O. Interfund Activity***

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
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***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

***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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

***R. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the alternate tax budget, the Certificate of Estimated Resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control for the general fund was at the fund, function and object level, all other funds were at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the School District receives the official Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
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functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**S. Change in Accounting Principles**

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59, “Financial Instruments Omnibus.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**T. Restatement of Fund Balances**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the School District’s governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Government
Fund balance previously reported, June 30, 2010	\$ (711,874)	\$ 550,183	\$ (161,691)
Fund reclassification:			
Uniform school supplies fund	241	(241)	0
Public school support fund	155,614	(155,614)	0
Community Education Fund	1,032	(1,032)	0
Recreation Fund	11	(11)	0
Restated fund balance July 1, 2010	<u>\$ (554,976)</u>	<u>\$ 393,285</u>	<u>\$ (161,691)</u>

**Springfield Local School District (Summit County, Ohio)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June, 30, 2011*  
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The fund reclassifications did not have an effect on net assets previously reported.

**Note 3 – Fund Deficits**

Fund balances at June 30, 2011 included the following individual fund deficits:

	Deficit
	Fund Balance
Nonmajor Governmental Funds:	
Food Service	\$ 183,060
Race to the Top	1,977
School Improvement	1,357

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

**Note 4 - Budgetary Basis of Accounting**

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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

	<u>General</u>
GAAP Basis	\$ 2,467,874
Net Adjustment for Revenue Accruals	(130,146)
Advance In	211,773
Advance Out	(206,267)
Net Adjustment for Expenditure Accruals	68,557
Funds Budgeted Elsewhere**	22,906
Adjustment for Encumbrances	<u>(74,079)</u>
Budget Basis	<u><u>\$ 2,360,618</u></u>

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

**Note 5 - Deposits and Investments**

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

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

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

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

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



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
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Interim monies to be deposited or invested in the following securities:

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

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

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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

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

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$3,340,525 and the bank balance was \$3,515,525. The total bank balance was covered by federal depository insurance.

**Investments**

Investments are reported at fair value. As of June 30, 2011, the School District had the following investments:

Rating by Moody	Entity	Fair Value	Investment Maturities in months			Percentage of Total Investment
			(0-6)	(7-12)	(13-36)	
N/A	Repurchase Agreement	\$ 5,855,000	\$ 5,855,000	\$ 0	\$ 0	15.21%
AAAm**	STAROhio	624,521	624,521	0	0	1.62%
Aaa	FNMA	4,174,820	0	1,137,219	3,037,601	10.83%
Aaa	FHLB	21,518,643	0	6,716,385	14,802,258	55.84%
Aaa	FFCB	3,820,397	0	1,944,721	1,875,676	9.91%
Aaa	FHLM	1,973,327	0	0	1,973,327	5.12%
N/A	US Treasury Money Market	568,005	568,005	0	0	1.47%
		<u>\$ 38,534,713</u>	<u>\$ 7,047,526</u>	<u>\$ 9,798,325</u>	<u>\$ 21,688,862</u>	<u>100.00%</u>

\*\*Rated by Standard and Poor's

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

**Credit Risk:** Standard & Poor's has assigned STAROhio an AAAM rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Federal Home Loan Bank, the Federal Home Loan Mortgage Corp are rated Aaa by Moody's. The School District has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk:** The School District places no limit on the amount the School District may invest in any one issuer. More than 5% of the School District's investments are in Federal securities which are 83% of the School District's total investments, and the repurchase agreement represents 15% of the School District's investments, for the amounts listed above.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with

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

*Notes to the Basic Financial Statements  
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investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investments' counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%.

**Note 6 – Property Taxes**

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

Property taxes include amounts levied annually, on all real and public utility property and business tangible personal property located within the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Real property taxes collected were based on assessed value equal to 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. The first payment is due December 31, and the remainder is payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real property taxes received in calendar year 2010 became a lien December 31, 2009 and were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. The calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The Summit County Fiscal Officer collects property tax on behalf of all taxing districts within the county. The Fiscal Officer periodically advances to the School District their portion of the taxes collected. The amount available to the School District as an advance at June 30, 2011 is available to finance fiscal year 2011 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, 2011 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.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

The amount available as an advance at June 30, 2011, was \$1,383,330 in the general fund and \$224,003 in the debt service fund, and \$51,546 in the permanent improvement fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	<u>2011 Assessed Value</u>		<u>2010 Assessed Value</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 385,292,690	98.43%	\$ 384,689,510	98.39%
Public Utility				
Personal	6,125,300	1.57%	5,938,630	1.53%
Tangible Personal				
Property	<u>0</u>	<u>0.00%</u>	<u>326,595</u>	<u>0.08%</u>
	<u>\$ 391,417,990</u>	<u>100.00%</u>	<u>\$ 390,954,735</u>	<u>100.00%</u>
 Tax Rate per \$1,000 of Assessed Valuation	 \$	 53.53	 \$	 48.13

On May 4, 2010, the voters of Springfield Local School District approved a \$33,724,861 bond issue and levy of property tax with a 55% affirmative vote.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

**Note 7 - Interfund Balances**

Interfund balances at June 30, 2011 consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 204,939	\$ 0
Food Services	0	96,500
Title II D	0	2,546
School Improvement	0	10,021
Vocational Education Enhancement	0	5,636
Part B IDEA	0	42,397
Title I	0	33,703
Drug Free School Grant	0	3,267
Improving Teacher Quality	0	3,622
Race to the Top	0	7,247
Total Special Revenue	<u>0</u>	<u>204,939</u>
Totals	<u>\$ 204,939</u>	<u>\$ 204,939</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2011, all interfund loans outstanding are anticipated to be repaid in fiscal year 2012.

**Note 8 – Receivables**

Receivables at June 30, 2011 consisted of taxes, interfund, and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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<i>Major Governmental Funds:</i>	<u>Amount</u>
General Fund	\$ 235,417
Classroom Facilities	<u>4,323,043</u>
<i>Total major governmental funds</i>	4,558,460
<i>Nonmajor Governmental Funds:</i>	
Vocational Education	5,636
Education Jobs	432,818
Race to the Top	119,985
IDEA Part B	233,933
Title II-D	2,546
School Improvement	150,000
Title I	216,990
Drug Free	3,267
Improving Teach Quality	<u>31,424</u>
<i>Total nonmajor governmental funds</i>	<u>1,196,599</u>
Total Intergovernmental Receivables	<u><u>\$ 5,755,059</u></u>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Construction in Progress	\$ 0	\$ 1,770,094	\$ 0	\$ 1,770,094
Land	687,020	280,000	0	967,020
Total Capital Assets, not being depreciated	<u>687,020</u>	<u>2,050,094</u>	<u>0</u>	<u>2,737,114</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	837,758	4,000	0	841,758
Buildings and Improvements	9,991,299	0	0	9,991,299
Furniture and Equipment	3,408,703	19,375	(17,246)	3,410,832
Vehicles	186,749	0	(5,500)	181,249
Textbooks	906,811	0	0	906,811
Total Capital Assets, being depreciated	<u>15,331,320</u>	<u>23,375</u>	<u>(22,746)</u>	<u>15,331,949</u>
Less Accumulated Depreciation:				
Land Improvements	(755,898)	(6,934)	0	(762,832)
Buildings and Improvements	(8,999,145)	(64,580)	0	(9,063,725)
Furniture and Equipment	(2,891,262)	(132,357)	16,832	(3,006,787)
Vehicles	(174,265)	(4,993)	5,500	(173,758)
Textbooks	(906,811)	0	0	(906,811)
Total Accumulated Depreciation	<u>(13,727,381)</u>	<u>(208,864)</u>	<u>22,332</u>	<u>(13,913,913)</u>
Total Capital Assets being depreciated, net	<u>1,603,939</u>	<u>(185,489)</u>	<u>(414)</u>	<u>1,418,036</u>
Governmental Capital Assets, net	<u>\$ 2,290,959</u>	<u>\$ 1,864,605</u>	<u>\$ (414)</u>	<u>\$ 4,155,150</u>

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**Springfield Local School District (Summit County, Ohio)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June, 30, 2011*  
*(Continued)*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 115,001
Support Services:	
Pupil	25
Instructional Staff	2,102
Board of Education	44,067
Administration	1,981
Fiscal	654
Operation and Maintenance of Plant	27,151
Pupil Transportation	5,335
Food Service	8,585
Extracurricular Activities	<u>3,963</u>
Total Depreciation	<u>\$ 208,864</u>

**Note 10 – Risk Management**

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

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

A bond of \$20,000 is maintained on the Treasurer. Bonds are also provided for the school board president and superintendent in the amount of \$20,000 each.

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

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2011, a total expense of \$2,906,859 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$250,000 reported in the fund at June 30, 2011 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.



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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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Changes in the fund's claims liability amount in 2011 and 2010 were:

	<u>Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2010	\$ 313,000	\$ 3,005,572	\$ 3,003,572	\$ 315,000
2011	315,000	2,491,484	2,556,484	250,000

**Note 11 – Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service and hours worked. Vacation days are credited to non-certified employees on the anniversary of their employment and must be used within the next twelve months. Vacation may be carried forward beyond the twelve month period only with the approval of the superintendent. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited number of days. Payment is made of one-fourth of the total sick leave accumulation, up to a maximum accumulation of 180 days upon retirement for certified employees or payment of 30% of sick leave up to a maximum of 54 days upon termination with 10 years of service for non-certified employees.

**Note 12 – Defined Benefit Pension Plans**

**A. School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That 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 toll free (800) 878-5853. It is also posted on the SERS' Web site, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81% of annual covered salary was the portion used to fund pension obligations. The remaining 2.19 % of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$507,480, \$483,408, and \$444,600, respectively; 39% has been contributed for fiscal year 2011 and 100% for the fiscal years 2010 and 2009.

## **Springfield Local School District (Summit County, Ohio)**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 among various investment accounts. Investment decisions are made by the member. 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,418,983, \$1,585,101, and \$1,407,982, respectively; 85% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$3,335 made by the School District and \$7,804 made by the plan members.

## Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2% of wages paid.

### **Note 13 - Postemployment Benefits**

#### **A. School Employee Retirement System**

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocated the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$88,281, \$62,627, and \$195,398, respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was .76 % of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$23,002, \$29,123 and \$24,483, respectively, which equaled the required contributions for the year.

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

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premium. The Plan is

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$109,153, \$121,931, and \$108,306, respectively.

**Note 14 – Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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 School District at June 30, 2011.

***B. Litigation***

The Springfield Local School District is party to legal proceedings. The School District management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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**Springfield Local School District (Summit County, Ohio)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June, 30, 2011*  
*(Continued)*

**Note 15 - Long - Term Obligations**

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

	Outstanding 6/30/10	Additions	Reductions	Outstanding 6/30/11	Amounts Due in One Year
<b>Governmental Activities:</b>					
Energy Conservation Note	\$ 420,960	\$ 0	\$ 74,811	\$ 346,149	\$ 79,232
<i>School Facilities Improvement Bonds</i>					
Series 2010A Tax-Exempt Bond	0	1,540,000	0	1,540,000	10,000
Capital Appreciation Bond	0	496,934	0	496,934	0
Accretion on CAB's	0	87,896	0	87,896	0
Capital Appreciation Bond	0	227,927	0	227,927	0
Accretion on CAB's	0	40,336	0	40,336	0
Series 2010B Build America Bonds	0	20,200,000	0	20,200,000	0
Series 2010C Qualified School Construction Bonds	0	11,260,000	0	11,260,000	0
Issuance Premium	0	412,137	11,448	400,689	0
<i>Total School Facilities Improvement Bonds</i>	0	34,265,230	11,448	34,253,782	10,000
<i>Other Long-Term Liabilities</i>					
Capital Lease	115,255	0	20,355	94,900	21,825
Compensated Absences	991,303	99,318	33,983	1,056,638	18,120
<i>Total Other Long-Term Liabilities</i>	1,106,558	99,318	54,338	1,151,538	39,945
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 1,527,518</u>	<u>\$ 34,364,548</u>	<u>\$ 140,597</u>	<u>\$ 35,751,469</u>	<u>\$ 129,177</u>

Compensated absences will be paid from the fund in which the employee is paid, which in prior years has primarily been the general fund. The energy conservation note and the school facilities bonds will be paid from the bond retirement debt service fund.

***Energy Conservation Note***

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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***School Improvement General Obligation Bonds***

On August 31, 2010, the School District issued \$33,724,861 in voted general obligation bonds for the purpose of constructing, furnishing, equipping and improving a new school building for grades 7 through 12 along with related abatement and demolition, and other school district building improvements. The bond issue included a current interest bond in the amount of \$1,540,000 and two capital appreciation bonds in the amount of \$496,934 and \$227,927, respectively. The issuance also included federally taxable Build America Bonds for \$20,200,000 and federally taxable qualified school construction bonds for \$11,260,000. The bonds were issued with a premium of \$412,137, which was reported as an increase to long-term debt in fiscal year 2011. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The amortization for June 20, 2011 was \$11,448. The issuance costs of \$411,998 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization for June 30, 2011 was \$11,444. The bonds will be retired with a voted property tax levy from the bond retirement debt service fund.

The current interest bonds will not be subject to redemption prior to maturity. The Build America Bonds maturing on or after September 1, 2019 are subject to prior optional redemption either in whole or in part at 100% par. It is also subject to extraordinary optional redemption, in whole at any date or in part on any date at a redemption price of 100% of par in the event that the department of Treasury should cease, or announce its intention to cease, making full payment of the direct payment. The qualified school construction bonds are not subject to optional redemption prior to maturity. It is also subject to extraordinary optional redemption either in whole or in part on any date at a redemption price equal to 100% of par in the event that the department of Treasury should cease, or announce its intention to cease, making full payment of the direct payment and it is subject to mandatory redemption on any date at a redemption price equal to 100% of par due to excess proceeds to the extent that less than 100% are expended by August 31, 2013.

The capital appreciation bond for \$496,934 will mature on September 1, 2012 with a maturity value of \$735,000. In fiscal year 2011, \$87,896 was accreted. The capital appreciation bond for \$227,927 will mature on September 1, 2013 with a maturity value of \$410,000. In fiscal year 2011, \$40,336 was accreted.

The qualified school construction bonds maturing on September 1, 2027, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on September 1, 2027.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2012	\$ 79,232	\$ 20,457	\$ 99,689
2013	83,915	15,775	99,690
2014	88,875	10,815	99,690
2015	94,127	5,563	99,690
Total	<u>\$ 346,149</u>	<u>\$ 52,610</u>	<u>\$ 398,759</u>

Fiscal Year Ending June 30,	Serial		Capital Appreciation		Build America		Qualified School Construction	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 10,000	\$ 29,888	\$ 0	\$ 0	\$ 0	\$ 1,210,613	\$ 0	\$ 591,150
2013	0	29,788	496,934	238,066	0	1,210,613	0	591,150
2014	325,000	26,943	227,927	182,073	0	1,210,613	0	591,150
2015	745,000	16,650	0	0	0	1,210,613	0	591,150
2016	460,000	4,600	0	0	0	1,210,613	300,000	591,150
2017-2021	0	0	0	0	0	6,053,063	4,080,000	2,955,750
2022-2026	0	0	0	0	0	6,053,063	4,775,000	2,955,750
2027-2031	0	0	0	0	3,070,000	5,799,659	2,105,000	886,725
2032-2036	0	0	0	0	6,280,000	4,309,664	0	0
2037-2041	0	0	0	0	8,050,000	2,162,124	0	0
2042-2046	0	0	0	0	2,800,000	176,400	0	0
Totals	<u>\$ 1,540,000</u>	<u>\$ 107,869</u>	<u>\$ 724,861</u>	<u>\$ 420,139</u>	<u>\$ 20,200,000</u>	<u>\$ 30,607,038</u>	<u>\$ 11,260,000</u>	<u>\$ 9,753,975</u>

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

**Note 16– Capitalized Leases**

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$117,569. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2011 totaled \$20,355 from the general fund. The following is a schedule of the future minimum lease payments as of June 30, 2011.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June, 30, 2011  
(Continued)*

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<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 27,768
2013	27,768
2014	27,768
2015	<u>25,454</u>
	108,758
Less: Amount Representing Interest	<u>(13,858)</u>
Present Value of Net Minimum Payments	<u><u>\$ 94,900</u></u>

**Note 17 – Situation of Financial Distress**

On May 16, 2007, the Auditor of State placed the School District in fiscal emergency.

Major revenue factors which contributed to the School District's bleak financial projections included the failure to renew levies, the decline of student enrollment, the phase out of tangible personal property, increasing health care costs, and no growth at the local level. Also, new development within the School District boundaries is very limited and property values have stagnated. The School District had also experienced significant reductions in State revenues, due to both declining student population and statewide reductions in the funding formula resulting from Ohio's economic crisis. Finally, The School District paid out approximately \$300,000 for students enrolling in other school districts which contributed to the fiscal crisis.

**Note 18 – Northeastern Ohio Network**

The Northeastern Ohio Network (NEOnet) is a jointly governed organization comprised of 17 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEOnet based on a per pupil charge dependent upon the software package utilized. The NEOnet assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEOnet is governed by a board of directors chosen from the general membership of the NEOnet assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2011, the District paid approximately \$55,798 to NEOnet for basic service charges.

**Note 19 – Statutory Reserves**

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



**Springfield Local School District (Summit County, Ohio)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June, 30, 2011*  
*(Continued)*

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve
Set-Aside Restricted Balance as of June 30, 2010	\$ 0	\$ 0
Set-Aside Carryover Balance as of June 30, 2010	0	(27,442)
Current Year Set-Aside Requirement	326,913	326,913
Waiver Granted by the Department of Education	(326,913)	(326,913)
Total	\$ 0	\$ (27,442)
 Balance Carried Forward to Fiscal Year 2012	\$ 0	\$ 0
 Set Aside Restricted Balance June 30, 2011	\$ 0	\$ 0

The current year set-aside normally required for textbooks and capital acquisition was waived by a unanimous vote of the Board of Education to appropriate the funds for other purposes. Effective July 1, 2011, textbook set-aside laws have been repealed. The negative fund balance is therefore not presented as being carried forward to future fiscal years.

**Note 20 – Fund Balance**

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

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

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**Springfield Local School District (Summit County, Ohio)**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June, 30, 2011*  
*(Continued)*

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	General	Building	Classroom Facilities	Other Governmental Funds	Total
Restricted for:					
Debt Service	\$ 0	\$ 0	\$ 0	\$ 753,903	\$ 753,903
Capital Outlay	0	8,198,240	27,661,509	553,481	36,413,230
Other Purposes	0	0	0	508,422	508,422
Total Restricted	0	8,198,240	27,661,509	1,815,806	37,675,555
Assigned for:					
Encumbrances	79,837	0	0	0	79,837
Other Purposes	134,576	0	0	0	134,576
Total Assigned	214,413	0	0	0	214,413
Unassigned	1,698,485	0	0	(186,394)	1,512,091
Total Fund Balance	\$ 1,912,898	\$ 8,198,240	\$ 27,661,509	\$ 1,629,412	\$ 39,402,059

**SPRINGFIELD LOCALSCHOOL DISTRICT  
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$108,370		\$108,370	
National School Lunch Program	10.555	464,859		464,859	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$35,248		\$35,248
Total Child Nutrition Cluster		573,229	35,248	573,229	35,248
<b>Total U.S. Department of Agriculture</b>		<b>573,229</b>	<b>35,248</b>	<b>573,229</b>	<b>35,248</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	584,341		582,585	
ARRA Special Education Grants to States	84.391	273,820		98,303	
Special Education Preschool Grants	84.173	17,009		17,009	
<b>Total Special Education Cluster</b>		<b>875,171</b>		<b>697,897</b>	
Title I, Grants to Local Educational Agencies	84.010	866,904		853,280	
ARRA Title I, Grants to Local Educational Agencies	84.389	236,550		228,853	
<b>Total Title I Grants</b>		<b>1,103,454</b>		<b>1,082,133</b>	
Improving Teacher Quality State Grants	84.367	151,328		148,013	
Safe and Drug-Free Schools and Communities State Grants	84.186	4,633		4,983	
Educational Technology State Grants	84.318	5,000		4,266	
ARRA Educational Technology State Grants	84.386	225,504		225,504	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	683,854		664,063	
Race to the Top Grant	84.395	0		1,977	
<b>Total U.S. Department of Education</b>		<b>3,048,944</b>		<b>2,828,836</b>	
<b>Totals</b>		<b>\$3,622,173</b>	<b>\$35,248</b>	<b>\$3,402,065</b>	<b>\$35,248</b>

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.

**NOTE C – CHILD NUTRITION CLUSTER**

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



# Dave Yost • Auditor of State

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

Springfield Local School District  
Summit County  
2960 Sanitarium Rd  
Akron, OH 44312

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Summit County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2012. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and governmental Fund Type Definitions. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 6, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 6, 2012



# Dave Yost • Auditor of State

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

Springfield Local School District  
Summit County  
2960 Sanitarium Rd  
Akron, OH 44312

To the Board of Education:

### Compliance

We have audited the compliance of the Springfield Local School District, Summit County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Springfield Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 6, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 6, 2012



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
June 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA 10.553 and 10.555; Special Education Grants to States CFDA 84.027, 84.391 and 84.173; Title I CFDA 84.010 and 84.389; State Fiscal Stabilization Fund CFDA 84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

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

None.

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Springfield Local School District  
Summit County  
2960 Sanitarium Road  
Akron, Ohio 44312

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Springfield Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 15, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

January 6, 2012

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# Dave Yost • Auditor of State

**SPRINGFIELD LOCAL SCHOOL DISTRICT**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 9, 2012**