



Mary Taylor, CPA
Auditor of State

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Springfield Local School District
Summit County
2960 Sanitarium Road
Akron, Ohio 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, 2008, 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, 2008, 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 further described in Notes 1 and 19, we noted the District is experiencing certain financial difficulties. This note also discusses management's plans to address these conditions.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by 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. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 30, 2009

Springfield Local School District (Summit County, Ohio)

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008

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, 2008. 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 2008 are as follows:

- ❑ General Revenues accounted for \$22.9 million in revenue or 79.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5.9 million or 20.5 % of total revenues of \$28.8 million.
- ❑ Total program expenses were \$28.4 million.
- ❑ In total, net assets increased \$375,628 from 2007.

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 2008?" 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, operation and maintenance of plant, pupil transportation and extracurricular activities.

The government-wide financial statements begin on page 11.

Springfield Local School District (Summit County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

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 and the debt service fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net 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 and the debt service 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 13.

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 18.

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 21.

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 23.

Springfield Local School District (Summit County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

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 2008 compared to 2007:

**(Table 1)
Net Assets**

	Governmental Activities	
	2008	2007
Assets		
Current and Other Assets	\$ 14,186,258	\$ 15,351,903
Capital Assets	<u>2,737,052</u>	<u>3,108,746</u>
Total Assets	16,923,310	18,460,649
Liabilities		
Long-Term Liabilities	2,648,276	4,071,971
Other Liabilities	<u>15,364,812</u>	<u>15,854,084</u>
Total Liabilities	18,013,088	19,926,055
Net Assets		
Invested in Capital Assets Net of Debt	2,113,444	2,359,784
Restricted for:		
Debt Service	1,678	1,665
Other Purposes	472,263	452,431
Unrestricted (Deficit)	<u>(3,677,163)</u>	<u>(4,279,286)</u>
Total Net Assets	<u>\$ (1,089,778)</u>	<u>\$ (1,465,406)</u>

Total assets decreased by \$1,537,339. The decrease was partially due to a decrease in capital assets and a decrease in taxes, accounts, and intergovernmental receivables. A decrease of approximately \$370,000 in total capital assets reflects depreciation expense exceeding additional purchases. Total liabilities decreased by \$1,912,967. This decrease was partially due to a decrease in long term debt.

Springfield Local School District (Summit County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

Table 2 shows the changes in net assets for fiscal year 2008 as compared to fiscal year 2007.

**(Table 2)
Governmental Activities**

	<u>2008</u>	<u>2007</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,551,248	\$ 3,420,300
Operating Grants	3,360,631	3,808,557
<i>General Revenue:</i>		
Property Taxes	12,289,898	13,046,063
Grants and Entitlements	10,400,100	9,695,166
Other	<u>212,000</u>	<u>264,986</u>
<i>Total Revenues</i>	28,813,877	30,235,072
Program Expenses		
Instruction	18,129,282	19,371,856
Support Services	8,580,743	9,819,354
Operation of Non-Instructional	1,090,746	1,062,347
Extracurricular Activities	592,090	760,763
Interest and Fiscal Charges	<u>45,388</u>	<u>126,643</u>
<i>Total Expenses</i>	<u>28,438,249</u>	<u>31,140,963</u>
Change in Net Assets	<u>\$ 375,628</u>	<u>\$ (905,891)</u>

Revenue decreased by 4.7% in 2008 while expenses decreased by 8.7%. Medical claims payments were up by 4.1% which required additional deposits to the self insurance fund.

Springfield Local School District (Summit County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

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 \$28.8 million and expenses of \$28.4 million.

**(Table 3)
Governmental Activities**

	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 18,129,282	\$ (13,626,623)	\$ 19,371,856	\$ (13,754,651)
Support Services:				
Pupil and Instructional Staff	2,233,354	(2,175,607)	2,719,142	(2,632,513)
Board of Education, Administration, Fiscal and Business	2,600,919	(2,536,464)	2,768,333	(2,695,675)
Operation and Maintenance of Plant and Central	2,282,928	(2,282,928)	2,602,449	(2,602,449)
Pupil Transportation	1,463,542	(1,463,542)	1,729,430	(1,729,430)
Operation of Non-Instructional	1,090,746	(124,248)	1,062,347	9,448
Extracurricular Activities	592,090	(271,570)	760,763	(380,193)
Interest and Fiscal Charges	45,388	(45,388)	126,643	(126,643)
Total Expenses	<u>\$ 28,438,249</u>	<u>\$ (22,526,370)</u>	<u>\$ 31,140,963</u>	<u>\$ (23,912,106)</u>

Instruction and Student Support Services comprise 81% of governmental program expenses. Interest/Fiscal charges were less than 1%. Interest expense was attributable to the outstanding notes, and fiscal expenses include payments to the County Auditors for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 13% 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 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of approximately \$28.7 million and expenditures of approximately \$29.2 million in fiscal year 2008. The net change in fund balance for fiscal year 2008 was most significant in the general fund, with a decrease of \$538,102.

Springfield Local School District (Summit County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

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 \$22.8 million, over original budget estimates of \$22.7 million. Of the \$.1 million increase, it was attributable to increased intergovernmental revenue.

Final appropriations of \$25.7 million were \$.6 million lower than the \$26.3 million in the original budget.

During fiscal year 2008, there were no significant fluctuations between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had approximately \$2.7 million invested in land, buildings and improvements, furniture and equipment, vehicles, and textbooks. Table 4 shows fiscal year 2008 balances compared with 2007.

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

	Governmental Activities	
	2008	2007
Land	\$ 687,020	\$ 687,020
Buildings and Improvements	1,226,493	1,314,889
Furniture and Equipment	744,863	985,699
Vehicles	26,815	34,704
Textbooks	51,861	86,434
Totals	<u>\$ 2,737,052</u>	<u>\$ 3,108,746</u>

The \$371,694 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. 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 2008, this amounted to \$438,133 for each set aside. The current year set-aside normally required for textbooks and capital improvements was waived by a unanimous vote of the Board of Education to appropriate the funds for other purposes due to fiscal emergency being declared May 11, 2007.

Springfield Local School District (Summit County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

Debt

At June 30, 2008, the School District had \$1,514,292 in notes and loans outstanding with \$1,022,695 due within one year. During fiscal year 2008, \$62,973 of the energy conservation note was retired and \$956,000 from a State Solvency Loan was retired. Table 5 summarizes debt outstanding. See Note 15 for additional information.

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

	Governmental Activities 2008	Governmental Activities 2007
Energy Conservation Note: Rate 5.91% Due 12/1/2014	\$ 558,292	\$ 621,265
State Solvency Loan: Rate 0.00% Due 6/30/2009	956,000	1,912,000
Totals	<u>\$ 1,514,292</u>	<u>\$ 2,533,265</u>

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. The Board of Education anticipates submitting a new operating levy to the residents of the District in 2010.

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 43% of revenues for governmental activities for the Springfield Local School District in fiscal year 2008.

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.

Springfield Local School District (Summit County, Ohio)

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008*

The Springfield Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. How the legislature plans to fund education programs during a weakened economy remains a concern.

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 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 Note 19 for more information on fiscal distress of the School District.

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 Donald Gambal, 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, 2008

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 1,909,076
Receivables:	
Taxes	11,964,233
Intergovernmental	280,080
Inventory	32,869
Nondepreciable capital assets	687,020
Depreciable capital assets (net)	<u>2,050,032</u>
<i>Total assets</i>	<u>16,923,310</u>
Liabilities	
Accounts payable	38,365
Accrued wages and benefits	3,153,461
Vacation benefits payable	146,593
Intergovernmental payable	935,119
Deferred revenue	10,556,688
Claims payable	508,000
Matured compensated absences	26,586
Long term liabilities:	
Due within one year	1,110,172
Due in more than one year	<u>1,538,104</u>
<i>Total liabilities</i>	<u>18,013,088</u>
Net Assets	
Invested in capital assets, net of related debt	2,113,444
Restricted for:	
Debt service	1,678
Other purposes	472,263
Unrestricted	<u>(3,677,163)</u>
<i>Total net assets</i>	<u>\$ (1,089,778)</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, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 11,828,079	\$ 1,873,806	\$ 777,135	\$ (9,177,138)
Special	3,823,922	0	1,851,585	(1,972,337)
Vocational	179,432	0	0	(179,432)
Other	2,297,849	133	0	(2,297,716)
Support services:				
Pupils	1,403,920	0	38,047	(1,365,873)
Instructional staff	829,434	0	19,700	(809,734)
Board of education	88,644	0	49	(88,595)
Administration	1,659,407	0	30,055	(1,629,352)
Fiscal	731,509	34,351	0	(697,158)
Business	121,359	0	0	(121,359)
Operation and maintenance of plant	2,221,920	0	0	(2,221,920)
Pupil transportation	1,463,542	0	0	(1,463,542)
Central	61,008	0	0	(61,008)
Food service operations	1,054,925	317,242	595,072	(142,611)
Uniform supplies	8,120	7,098	0	(1,022)
Community education	27,701	0	47,086	19,385
Extracurricular activities	592,090	318,618	1,902	(271,570)
Interest and fiscal charges	45,388	0	0	(45,388)
<i>Total governmental activities</i>	<u>\$ 28,438,249</u>	<u>\$ 2,551,248</u>	<u>\$ 3,360,631</u>	<u>(22,526,370)</u>
General Revenues				
Property taxes levied for:				
General purposes				9,900,820
Debt service				2,103,153
Capital outlay				285,925
Grants and entitlements not restricted to specific programs				10,400,100
Investment earnings				152,606
Miscellaneous				59,394
Total general revenues				22,901,998
Change in net assets				375,628
Net assets beginning of year				(1,465,406)
Net assets end of year				<u>\$ (1,089,778)</u>

See accompanying notes to the basic financial statements.

Springfield Local School District (Summit County, Ohio)

*Balance Sheet
Governmental Funds
June 30, 2008*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and cash equivalents	\$ 753,306	\$ 1,678	\$ 1,152,686	\$ 1,907,670
Receivables:				
Taxes	11,601,753	97,720	264,760	11,964,233
Interfund	178,223	0	0	178,223
Intergovernmental	5,382	0	274,698	280,080
Inventory	0	0	32,869	32,869
<i>Total assets</i>	<u>\$ 12,538,664</u>	<u>\$ 99,398</u>	<u>\$ 1,725,013</u>	<u>\$ 14,363,075</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 19,489	\$ 0	\$ 18,876	\$ 38,365
Accrued wages and benefits	2,824,543	0	328,918	3,153,461
Interfund payable	0	0	178,223	178,223
Intergovernmental payable	889,383	0	45,736	935,119
Deferred revenue	10,653,397	97,720	516,126	11,267,243
Matured compensated absences	13,651	0	12,935	26,586
<i>Total liabilities</i>	<u>14,400,463</u>	<u>97,720</u>	<u>1,100,814</u>	<u>15,598,997</u>
Fund Balances				
Reserved for encumbrances	203,992	0	151,758	355,750
Reserved for tax revenue unavailable for appropriation	948,356	0	23,332	971,688
Unreserved:				
Undesignated, unreserved reported in:				
General fund	(3,014,147)	0	0	(3,014,147)
Special revenue funds	0	0	40,208	40,208
Debt service fund	0	1,678	0	1,678
Capital projects funds	0	0	408,901	408,901
<i>Total fund balances</i>	<u>(1,861,799)</u>	<u>1,678</u>	<u>624,199</u>	<u>(1,235,922)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 12,538,664</u>	<u>\$ 99,398</u>	<u>\$ 1,725,013</u>	<u>\$ 14,363,075</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, 2008

Total Governmental Fund Balances		\$	(1,235,922)
<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.			2,737,052
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.			
Grants	\$	274,698	
Delinquent Property Taxes		<u>435,857</u>	710,555
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.			(506,594)
Long-term liabilities, including notes and loans payable, are not due and payable in the current period and therefore, are not reported in the funds.			
General Obligation Notes		(558,292)	
State Solvency Loan		(956,000)	
Capital Lease Payable		(65,316)	
Compensated Absences		(1,068,668)	
Vacation Benefits Payable		<u>(146,593)</u>	<u>(2,794,869)</u>
Net Assets of Governmental Activities		\$	<u>(1,089,778)</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
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 9,756,102	\$ 2,103,153	\$ 283,348	\$ 12,142,603
Intergovernmental	10,175,948	956,000	2,710,007	13,841,955
Investment income	152,606	0	1,902	154,508
Tuition and fees	1,870,306	0	4,143	1,874,449
Extracurricular activities	0	0	299,237	299,237
Rentals	34,351	0	0	34,351
Charges for services	0	0	324,340	324,340
Gifts and Donations	2,000	0	18,871	20,871
Miscellaneous	57,394	0	0	57,394
<i>Total revenues</i>	<u>22,048,707</u>	<u>3,059,153</u>	<u>3,641,848</u>	<u>28,749,708</u>
Expenditures				
Current:				
Instruction:				
Regular	10,822,605	0	773,721	11,596,326
Special	2,588,735	0	1,120,780	3,709,515
Vocational	188,617	0	0	188,617
Other	2,297,723	0	126	2,297,849
Support services:				
Pupils	1,351,702	0	44,883	1,396,585
Instructional staff	822,817	0	19,700	842,517
Board of education	38,654	0	298	38,952
Administration	1,621,234	0	32,809	1,654,043
Fiscal	665,954	0	332	666,286
Business	121,689	0	0	121,689
Operation and maintenance of plant	2,227,263	0	0	2,227,263
Pupil transportation	1,426,239	0	0	1,426,239
Central	61,008	0	0	61,008
Food service operations	0	0	1,054,256	1,054,256
Uniform supplies	0	0	8,120	8,120
Community education	0	0	27,701	27,701
Extracurricular activities	286,143	0	302,153	588,296
Capital outlay	1,547	0	165,326	166,873
Debt service:				
Principal retirement	62,381	3,018,973	0	3,081,354
Interest and fiscal charges	5,221	40,167	0	45,388
<i>Total expenditures</i>	<u>24,589,532</u>	<u>3,059,140</u>	<u>3,550,205</u>	<u>31,198,877</u>
<i>Excess of revenues over (under) expenditures</i>	(2,540,825)	13	91,643	(2,449,169)
Other financing sources (uses)				
Proceeds from sales of capital assets	2,723	0	105,000	107,723
Proceeds of notes	2,000,000	0	0	2,000,000
<i>Total other financing sources (uses)</i>	<u>2,002,723</u>	<u>0</u>	<u>105,000</u>	<u>2,107,723</u>
<i>Net change in fund balance</i>	(538,102)	13	196,643	(341,446)
<i>Fund balance (deficit) at beginning of year</i>	<u>(1,323,697)</u>	<u>1,665</u>	<u>427,556</u>	<u>(894,476)</u>
<i>Fund balance (deficit) at end of year</i>	<u>\$ (1,861,799)</u>	<u>\$ 1,678</u>	<u>\$ 624,199</u>	<u>\$ (1,235,922)</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, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (341,446)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital asset additions	\$ 26,075	
Current year depreciation	<u>(396,768)</u>	(370,693)

Net effect of transactions involving sale of capital assets are not reflected in the funds. (1,001)

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

Grants	(83,126)	
Delinquent property taxes	<u>147,295</u>	64,169

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Loan principal	1,018,973	
Capital leases	<u>62,381</u>	1,081,354

Tax anticipation notes issued and repaid during the same fiscal year are reported only in the governmental funds.

Proceeds of notes	2,000,000	
Principal retirement	<u>(2,000,000)</u>	0

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.

Compensated absences	342,341	
Vacation benefits payable	<u>(19,778)</u>	322,563

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.

(379,318)

Change in Net Assets of Governmental Activities \$ 375,628

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, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 10,143,679	\$ 10,188,051	\$ 10,159,278	\$ (28,773)
Intergovernmental	10,105,743	10,108,679	10,121,284	12,605
Investment Income	152,372	150,000	152,606	2,606
Tuition and fees	2,187,457	2,164,062	2,190,821	26,759
Miscellaneous	187,371	171,470	187,659	16,189
<i>Total revenues</i>	<u>22,776,622</u>	<u>22,782,262</u>	<u>22,811,648</u>	<u>29,386</u>
Expenditures				
Current:				
Instruction				
Regular	10,398,468	11,206,769	11,129,002	77,767
Special	3,019,345	2,632,045	2,628,211	3,834
Vocational	469,009	233,709	228,038	5,671
Other	2,082,020	2,404,862	2,393,509	11,353
Support services				
Pupils	1,676,448	1,458,458	1,400,335	58,123
Instructional staff	1,032,715	861,440	844,751	16,689
Board of education	46,000	47,600	38,250	9,350
Administration	1,711,892	1,720,392	1,664,172	56,220
Fiscal	665,397	679,297	653,200	26,097
Business	116,251	121,651	117,580	4,071
Operation and maintenance of plant	2,857,375	2,456,078	2,274,794	181,284
Pupil transportation	1,684,636	1,541,736	1,499,029	42,707
Central	85,000	61,100	61,008	92
Extracurricular activities	370,000	295,420	293,669	1,751
Capital outlay	93,000	3,000	1,547	1,453
<i>Total expenditures</i>	<u>26,307,556</u>	<u>25,723,557</u>	<u>25,227,095</u>	<u>496,462</u>
Excess of revenues over (under) expenditures	(3,530,934)	(2,941,295)	(2,415,447)	525,848
Other financing sources (uses)				
Proceeds from sale of assets	2,719	1,433	2,723	1,290
Proceeds of notes	1,996,929	2,000,000	2,000,000	0
Advances in	196,109	196,411	196,411	0
Advances out	(195,000)	(180,000)	(178,223)	1,777
<i>Total other financing sources (uses)</i>	<u>2,000,757</u>	<u>2,017,844</u>	<u>2,020,911</u>	<u>3,067</u>
<i>Net change in fund balance</i>	(1,530,177)	(923,451)	(394,536)	528,915
<i>Fund balance (deficit) at beginning of year</i>	421,812	421,812	421,812	0
Prior year encumbrances appropriated	502,556	502,556	502,556	0
<i>Fund balance (deficit) at end of year</i>	<u>\$ (605,809)</u>	<u>\$ 917</u>	<u>\$ 529,832</u>	<u>\$ 528,915</u>

See accompanying notes to the basic financial statements.

Springfield Local School District (Summit County, Ohio)

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Governmental Activities Internal Service Fund
Assets	
Equity in pooled cash and cash equivalents	\$ 1,406
Liabilities	
Claims payable	508,000
Net Assets	
Unrestricted	(506,594)
<i>Total net assets</i>	\$ (506,594)

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 Funds
For the Fiscal Year Ended June 30, 2008

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	\$ 3,033,015
Operating Expenses	
Administrative fees	352,042
Claims expense	3,060,291
<i>Total operating expenses</i>	<i>3,412,333</i>
<i>Change in net assets</i>	<i>(379,318)</i>
<i>Net assets (deficit) beginning of year</i>	<i>(127,276)</i>
<i>Net assets (deficit) end of year</i>	<i>\$ (506,594)</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, 2008

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash received for charges for service customers	\$ 3,033,015
Cash paid for claims	(2,899,291)
Cash paid for administration fees	(352,042)
	<hr/>
<i>Net cash (used for) operating activities</i>	(218,318)
	<hr/>
<i>Net (decrease) in cash and cash equivalents</i>	(218,318)
	<hr/>
<i>Cash and cash equivalents at beginning of year</i>	219,724
	<hr/>
<i>Cash and cash equivalents at end of year</i>	\$ 1,406
	<hr/> <hr/>
Reconciliation of Operating (Loss) to Net Cash (Used For) Operating Activities	
Operating (loss)	\$ (379,318)
Adjustments:	
Claims payable	161,000
	<hr/>
<i>Total adjustments</i>	161,000
	<hr/>
<i>Net cash (used for) operating activities</i>	\$ (218,318)
	<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, 2008

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 52,128
Liabilities	
Undistributed monies	\$ 343
Due to students	<u>51,785</u>
<i>Total liabilities</i>	<u>\$ 52,128</u>

See accompanying notes to the basic financial statements.

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Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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 85 classified employees and 185 certified full-time teaching personnel who provide services to 2,700 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 Mayor of Springfield. 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 not yet taken any action to revise the recovery plan for fiscal year 2010 and beyond. See Note 19 for more information on the School District's fiscal emergency status.

Reporting Entity

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

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

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 1 - Description of the School District – (Continued)

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 21 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 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements.

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, 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies – (Continued)

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. Nonmajor 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.

Debt Service Fund The Debt Service fund is used to account for the accumulation of property tax revenues and the payment of loans and notes payable.

The other Governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies – (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 only fiduciary funds are 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.

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 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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies – (Continued)

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, 2008, but which were levied to finance fiscal year 2009 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 Cash Equivalents

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 cash equivalents" on the balance sheet.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies – (Continued)

During fiscal year 2008, investments were limited to STAROhio, (the State Treasurer's Investment Pool), and repurchase agreements.

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, 2008. 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 2008 amounted to \$152,606 which includes \$81,826 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. The School District did not spend all restricted assets in accordance with specific restrictions during the fiscal year. See Note 22 for calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

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, 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

Description	Governmental Activities Estimated Lives
Land	N/A
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 funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. 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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies – (Continued)

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

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

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 Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

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 2008.

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.

Springfield Local School District (Summit County, Ohio)

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 2 - Summary of Significant Accounting Policies – (Continued)

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 2008.

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 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. Implementation of New Accounting Policies

For the year ended 2008, the School District has implemented GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, and GASB Statement No. 50, “Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.”

Springfield Local School District (Summit County, Ohio)

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)

Note 2 - Summary of Significant Accounting Policies – (Continued)

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans”, and GASB Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers”, to conform with requirements of GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

Note 3 – Fund Deficits

A. Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
General Fund	\$ 1,861,799
Nonmajor Governmental Funds:	
Food Service	171,743
Drug Free	2,670
Title VI-B	180,074
Title VI-R	32,915
Title I	57,948

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 3 – Fund Deficits – (Continued)

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

B. Budget Compliance

As required by Ohio Revised Code 5705.39, total appropriations shall not exceed the total of the estimated resources available for expenditure. For fiscal year ending June 30, 2008, the School District's original appropriations exceeded original estimated resources by \$605,809 in the general fund.

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. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 4 - Budgetary Basis of Accounting – (Continued)

Net Change in Fund Balance	<u>General</u>
GAAP Basis	\$ (538,102)
Net Adjustment for Revenue Accruals	762,941
Advance In	196,411
Advance Out	(178,223)
Net Adjustment for Expenditure Accruals	(414,089)
Adjustment for Encumbrances	<u>(223,474)</u>
Budget Basis	<u><u>\$ (394,536)</u></u>

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.

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;

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 5 - Deposits and Investments – (Continued)

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

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 5 - Deposits and Investments – (Continued)

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 \$773,096 and the bank balance was \$10,260. Of the bank balance, \$10,260 was covered by depository insurance.

Investments

Investments are reported at fair value. As of June 30, 2008, the School District had the following investments:

	Fair Value	Investment Maturities (in months) 0-6
First Merit Repurchase Agreement	\$ 460,000	\$ 460,000
STAROhio	<u>727,758</u>	<u>727,758</u>
Totals	<u>\$ 1,187,758</u>	<u>\$ 1,187,758</u>

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

Credit Risk: The School District's investments at June 30, 2008 include sweep accounts, and STAROhio which is rated AAAM by Standard & Poor's. The underlying securities in the repurchase agreement are exempt.

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 STAROhio and the repurchase agreement. STAROhio is 61.3% of the School District's total investments and the repurchase agreement is 38.7% for the amounts listed above.

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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 6 – Property Taxes – (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008 on the value as of December 31, 2007. For 2008, tangible personal property is assessed at 6.25 % of true value for property including inventory. This percentage will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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 telecommunication companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 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. In 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 Officers 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, 2008 is available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available and measurable is recorded as revenue. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount measurable and available to the School District at June 30, 2008 was \$971,688.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 6 – Property Taxes – (Continued)

On the 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 since it has not been received within the available period.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	<u>2008 Assessed Value</u>		<u>2007 Assessed Value</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 382,011,800	94.85%	\$ 376,395,400	90.82%
Public Utility Personal	5,419,600	1.35%	7,410,540	1.79%
Tangible Personal Property	<u>15,289,155</u>	<u>3.80%</u>	<u>30,638,018</u>	<u>7.39%</u>
	<u>\$ 402,720,555</u>	<u>100.00%</u>	<u>\$ 414,443,958</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$	47.85		

Note 7 - Interfund Balances

On the fund financial statements, the general fund reported an interfund receivable at June 30, 2008 of \$178,223. This receivable is made up of the following: the food services fund had an interfund payable of \$71,000, the uniform supply fund had an interfund payable of \$2,000, Part B IDEA fund had \$33,517, the Title I fund had \$41,045, the drug free grant fund had \$17,729, the improving teacher quality fund had \$6,812, and the miscellaneous federal grants fund had an interfund payable of \$6,120.

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, 2008, all interfund loans outstanding are anticipated to be repaid in fiscal year 2009.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 8 – Receivables

Receivables at June 30, 2008 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:

	<u>Amount</u>
<i>General Fund</i>	\$ 5,382
<i>Nonmajor Governmental Funds</i>	
Title I	117,233
Drug Free	5,875
Title II-A	31,415
Title II-D	2,034
IDEA Preschool Grant for the Handicapped	<u>118,141</u>
Total nonmajor governmental funds	<u>274,698</u>
Total Intergovernmental Receivables	<u><u>\$ 280,080</u></u>

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/08</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	<u>\$ 687,020</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 687,020</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	898,673	0	(60,915)	837,758
Buildings and Improvements	10,408,652	0	(421,302)	9,987,350
Furniture and Equipment	3,196,973	26,075	(2,503)	3,220,545
Vehicles	245,319	0	0	245,319
Textbooks	906,811	0	0	906,811
Total Capital Assets, being depreciated	<u>15,656,428</u>	<u>26,075</u>	<u>(484,720)</u>	<u>15,197,783</u>
Less Accumulated Depreciation:				
Land Improvements	(796,319)	(6,832)	60,915	(742,236)
Buildings and Improvements	(9,196,117)	(81,564)	421,302	(8,856,379)
Furniture and Equipment	(2,211,274)	(265,910)	1,502	(2,475,682)
Vehicles	(210,615)	(7,889)	0	(218,504)
Textbooks	(820,377)	(34,573)	0	(854,950)
Total Accumulated Depreciation	<u>(13,234,702)</u>	<u>(396,768)</u>	<u>483,719</u>	<u>(13,147,751)</u>
Total Capital Assets being depreciated, net	<u>2,421,726</u>	<u>(370,693)</u>	<u>(1,001)</u>	<u>2,050,032</u>
Governmental Capital Assets, net	<u><u>\$ 3,108,746</u></u>	<u><u>\$ (370,693)</u></u>	<u><u>\$ (1,001)</u></u>	<u><u>\$ 2,737,052</u></u>

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 9 - Capital Assets – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 258,211
Support Services:	
Pupil	1,075
Instructional Staff	2,193
Board of Education	49,674
Administration	5,469
Fiscal	59,000
Operation and Maintenance of Plant	1,751
Pupil Transportation	8,006
Food Service	7,426
Extracurricular Activities	<u>3,963</u>
Total Depreciation	<u>\$ 396,768</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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 10 – Risk Management – (Continued)

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 2008, a total expense of \$3,412,333 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 \$508,000 reported in the fund at June 30, 2008 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.

Changes in the fund's claims liability amount in 2008 and 2007 were:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$ 366,000	\$ 3,001,133	\$ 3,020,133	\$ 347,000
2008	347,000	3,060,291	2,899,291	508,000

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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 12 – Defined Benefit Pension Plans

A. School Employees Retirement System

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, under Forms and Publications.

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 2008, 9.16% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$516,564, \$612,713, and \$590,457, respectively; 58% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006.

B. State Teachers Retirement System

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.

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. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 12 – Defined Benefit Pension Plans – (Continued)

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.

For the fiscal year ended June 30, 2008, 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 2007 (the latest information available), 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, 2008, 2007, and 2006 were \$1,676,386, \$1,826,152, and \$1,840,583, respectively; 85% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,364 made by the School District and \$21,051 made by the plan members.

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 District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes 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 both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 13 - Postemployment Benefits – (Continued)

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 2008, 4.18% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, 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, 2008, 2007, and 2006 were \$165,725 \$194,710, and \$189,721 respectively.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008 were \$22,338, 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 Ohio) 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 premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, 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, 2008, 2007, and 2006 were \$124,910, \$139,435, and \$127,264 respectively.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

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, 2008.

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.

Note 15 - Long - Term Obligations

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

	Outstanding 6/30/07	Additions	Reductions	Outstanding 6/30/08	Amounts Due in One Year
Governmental Activities:					
Energy Conservation Note					
Interest Rate 5.91%					
Due 12/1/2014	\$ 621,265	\$ 0	\$ 62,973	\$ 558,292	\$ 66,695
State Solvency Loan					
Interest Rate 0.00%					
Due 6/30/2009	1,912,000	0	956,000	956,000	956,000
Capital Lease	127,697	0	62,381	65,316	65,316
Compensated Absences	1,411,009	4,107	346,448	1,068,668	22,161
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 4,071,971</u>	<u>\$ 4,107</u>	<u>\$ 1,427,802</u>	<u>\$ 2,648,276</u>	<u>\$ 1,110,172</u>

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%.

In 2003, the School District entered into a \$400,000 lease for a telephone system. The lease continues until October 2009. The capital leases will be paid from the general fund and compensated absences will be paid from the general fund and the food service fund.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 15 - Long - Term Obligations – (Continued)

During fiscal year 2007, the School District received a loan from the Ohio Department of Education for insolvency relief. The loan is interest free as long as the School District remains current on repayment. This loan is a general obligation of the School District for which the full faith and credit of the School District are pledged for repayment. Payments will be recorded as expenditures of the debt service fund, from current operating revenue.

Principal and interest requirements to retire debt outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note			State Solvency Loan		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 66,695	\$ 32,995	\$ 99,690	\$ 956,000	\$ 0	\$ 956,000
2010	70,637	29,053	99,690	0	0	0
2011	74,811	24,879	99,690	0	0	0
2012	79,232	20,457	99,689	0	0	0
2013	83,915	15,775	99,690	0	0	0
2014-2018	183,002	16,378	199,380	0	0	0
Total	<u>\$ 558,292</u>	<u>\$ 139,537</u>	<u>\$ 697,829</u>	<u>\$ 956,000</u>	<u>\$ 0</u>	<u>\$ 956,000</u>

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

Note 16– Capitalized Leases

Capital lease obligations relate to telephone equipment which is leased under a long-term agreement. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". \$400,000 has been recorded as capital assets relating to capital leases with \$279,969 of accumulated depreciation as of June 30, 2008. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008 is summarized below.

Fiscal Year Ending June, 30	Capital Lease		
	Principal	Interest	Total
2009	\$ 65,316	\$ 2,286	\$ 67,602
Total	<u>\$ 65,316</u>	<u>\$ 2,286</u>	<u>\$ 67,602</u>

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 17 – Deferred Revenue

Deferred revenue at June 30, 2008 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 10,556,688	\$ 10,992,545
Grants Receivable	0	274,698
	<u>0</u>	<u>274,698</u>
Deferred Revenue	<u>\$ 10,556,688</u>	<u>\$ 11,267,243</u>

Note 18 – Note Payable

During fiscal year 2008, the School District issued a tax anticipation note in the amount of \$2,000,000. The proceeds were receipted in the General Fund and are being used to pay various expenditures due to the declaration of fiscal emergency in fiscal year 2007. The note has been paid in full during fiscal year 2008 from the debt service fund.

Note 19 – 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 20 - Contracts

The School District has renewed their transportation contract with Laidlaw Transit, Inc. The company furnishes bus transportation service for students attending the facilities and all other children for whom the School District has an obligation to provide transportation in accordance with all applicable rules and regulations set forth by the Ohio Department of Education, the Ohio Revised Code and the Ohio Administrative Code. The company provides transportation services by utilizing the School District buses and company buses. As School District buses are required to be replaced, the company replaces them with company buses. The School District is charged a rate based per trip whether a School District or company bus is utilized. The contract is in effect until July 31, 2008. The contract can be renewed for one additional three year term upon the mutual consent and negotiation of the company and School District.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 21 – 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, 2008, the District paid approximately \$55,751 to NEOnet for basic service charges.

Note 22 – 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.

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	Total
Set-Aside Cash Balance as of June 30, 2007	\$ 0	\$ 0	\$ 0
Set-Aside Carryover Balance as of June 30, 2007	0	(27,442)	(27,442)
Current Year Set-Aside Requirement	438,133	438,133	876,266
Current Year Waiver	(438,133)	(438,133)	(876,266)
Qualifying Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ (27,442)</u>	<u>\$ (27,442)</u>
Cash Balance Carried Forward FY 2009	<u>\$ 0</u>	<u>\$ (27,442)</u>	

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008
(Continued)*

Note 22 – Statutory Reserves – (Continued)

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.

Note 23 – Subsequent Events

The School District issued \$2,000,000 in tax anticipation revenue notes at an interest rate of 3.94% in January 2009. The notes were issued to meet the daily operation costs of the School District until the February tax settlements were available. The notes were finally repaid in March, 2009.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>PASS THROUGH ENTITY NUMBER</u>	<u>FEDERAL CFDA NUMBER</u>	<u>RECEIPTS</u>	<u>NON-CASH RECEIPTS</u>	<u>EXPENDITURES</u>	<u>NON-CASH EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through State Department of Education:</i>						
Child Nutrition Cluster: School Breakfast Program	N/A	10.553	\$19,603		\$19,603	
National School Lunch Program	N/A	10.555	538,081		538,081	
Total Child Nutrition Cluster			557,684		557,684	
Food Distribution	N/A	10.550		\$118,635		\$118,635
Total U.S. Department of Agriculture			557,684	118,635	557,684	118,635
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through State Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-2007	84.010	27,055		51,812	
Title I Grants to Local Educational Agencies	C1-S1-2008		371,762		330,884	
Total Title I Grants to Local Educational Agencies			398,817		382,696	
Special Education Cluster: Special Education Grants to States	6B-SF-2007	84.027	110,683		128,692	
Special Education Grants to States	6B-SF-2008		656,405		650,399	
Total Special Education Grants to States			767,088		779,091	
Special Education Preschool Grant	PG-S1-2008	84.173	21,598		21,598	
Total Special Education Cluster			788,686		800,689	
State Grants for Innovative Programs	C2-S1-2008	84.298	6,970		6,970	
Safe and Drug-Free Schools and Communities State Grants	DR-S1-2007	84.186	6,389		15,899	
Safe and Drug-Free Schools and Communities State Grants	DR-S1-2008		20,419		5,357	
Total Safe and Drug-Free Schools and Communities State Grants			26,808		21,256	
Education Technology State Grants	TJ-S1-2007	84.318	3,400		11,006	
Education Technology State Grants	TJ-S1-2008		9,283		2,418	
Total Education Technology State Grants			12,683		13,424	
Improving Teacher Quality State Grant	TR-S1-2007	84.367	13,053		20,764	
Improving Teacher Quality State Grant	TR-S1-2008		115,236		113,843	
Total Improving Teacher Quality State Grant			128,289		134,607	
Total U.S. Department of Education			1,362,253		1,359,642	
Total			\$1,919,937	\$118,635	\$1,917,326	\$118,635

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. 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 and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

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



Mary Taylor, CPA

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 Road
Akron, Ohio 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 30, 2009 in which we noted the District is experiencing certain financial difficulties. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated March 30, 2009.

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 did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 30, 2009.

We intend this report solely for the information and use of the Financial Planning and Supervision Commission, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 30, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of 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 apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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, the Springfield Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 intend this report solely for the information and use of the Financial Planning and Supervision Commission, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 30, 2009

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: National School Lunch Program CFDA #10.555 School Breakfast Program CFDA #10.553
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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



Mary Taylor, CPA
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
MAY 26, 2009