



Dave Yost • Auditor of State

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Summit County, Ohio (the District), as of and for the year ended June 30, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

February 1, 2013

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The discussion and analysis of the Springfield Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Net assets increased \$3,143,659 which represents a 22 percent increase from 2011.
- Capital assets increased \$10,491,770 during fiscal year 2012.
- During the year, outstanding bond and note debt increased from \$34,599,931 to \$34,683,415 due to accretion of capital appreciation bonds, net of principal payments made by the School District
- The Ohio Schools Facilities Commission project continues its construction during the fiscal year.
- Total revenues decreased \$8.7 million from 2011, while total program expenses increased \$.9 million from 2011.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" 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.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund, building fund and the classroom facilities fund.

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

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 18.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

Table 1
Net Assets

| | Governmental Activities | |
|-----------------------------|-------------------------|----------------------|
| | 2012 | 2011 |
| Assets | | |
| Current and Other Assets | \$ 54,653,573 | \$ 61,464,528 |
| Capital Assets | 14,646,920 | 4,155,150 |
| <i>Total Assets</i> | <i>69,300,493</i> | <i>65,619,678</i> |
| Liabilities | | |
| Other Liabilities | 15,884,452 | 15,440,951 |
| Long-Term Liabilities | 35,845,124 | 35,751,469 |
| <i>Total Liabilities</i> | <i>51,729,576</i> | <i>51,192,420</i> |
| Net Assets | | |
| Invested in Capital Assets, | | |
| Net of Debt | 1,899,858 | 1,944,146 |
| Restricted | 9,514,111 | 9,921,461 |
| Unrestricted | 6,156,948 | 2,561,651 |
| <i>Total Net Assets</i> | <i>\$ 17,570,917</i> | <i>\$ 14,427,258</i> |

At year end, capital assets represented 21 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks, and construction in progress. Capital assets, net of related debt were \$1,899,858 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$9,514,111 or 54 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$6,156,948 may be used to meet the government's ongoing obligations to students and creditors.

During the year, current and other assets reported a decrease of \$6,810,955, primarily from a decrease in cash and investments (\$3,373,582) and intergovernmental receivables (\$3,607,422). Both decreases are the result of the ongoing Ohio School's Facility project as it progresses and also the loss of the ARRA grants. This same project resulted in an increase in capital assets of \$10,491,770, which is net of current year depreciation expense.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

Table 2
Changes in Net Assets

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | 2012 | 2011 |
| Revenues | | |
| <i>Program Revenues:</i> | | |
| Charges for Services and Sales | \$ 3,140,872 | \$ 2,915,938 |
| Operating Grants and Interest | 2,368,981 | 5,067,139 |
| Capital Grants, Contributions and Interest | 315,553 | 0 |
| <i>Total Program Revenues</i> | <u>5,825,406</u> | <u>7,983,077</u> |
| <i>General Revenues:</i> | | |
| Property Taxes | 12,782,189 | 12,318,341 |
| Grants and Entitlements Not Restricted | 13,071,270 | 20,080,770 |
| Other | 91,245 | 90,725 |
| <i>Total General Revenues</i> | <u>25,944,704</u> | <u>32,489,836</u> |
| <i>Total Revenues</i> | <u>31,770,110</u> | <u>40,472,913</u> |
| Program Expenses | | |
| Instruction: | | |
| Regular | 10,653,013 | 10,354,086 |
| Special | 3,438,801 | 3,193,860 |
| Vocational | 228,223 | 276,895 |
| Other | 2,367,043 | 2,475,878 |
| Support Services: | | |
| Pupils | 1,311,257 | 1,152,992 |
| Instructional Staff | 993,441 | 931,016 |
| Board of Education | 51,421 | 85,416 |
| Administration | 1,602,617 | 1,536,278 |
| Fiscal | 652,082 | 611,843 |
| Business | 136,515 | 140,118 |
| Operation and Maintenance of Plant | 2,108,832 | 2,184,119 |
| Pupil Transportation | 1,319,351 | 1,376,471 |
| Central | 57,010 | 60,771 |
| Operation of Non-Instructional Services: | | |
| Food Service Operations | 871,692 | 918,528 |
| Community Services | 77,389 | 119,918 |
| Other | 0 | 4,781 |
| Extracurricular Activities | 718,359 | 677,510 |
| Debt Service: | | |
| Interest and Fiscal Charges | 2,039,405 | 1,538,902 |
| <i>Total Expenses</i> | <u>28,626,451</u> | <u>27,639,382</u> |
| <i>Increase (Decrease) in Net Assets</i> | <u>3,143,659</u> | <u>12,833,531</u> |
| <i>Net Assets at Beginning of Year</i> | <u>14,427,258</u> | <u>1,593,727</u> |
| <i>Net Assets at End of Year</i> | <u>\$ 17,570,917</u> | <u>\$ 14,427,258</u> |

The operating grants decrease of \$2,698,158 was primarily caused by the reduction in ARRA resources. Grants and entitlements not restricted reported \$7,009,500 less revenues in fiscal year 2012 due to Ohio Schools Facility grant revenue reported in a prior year. Overall, expenses reported an increase of \$987,069, \$500,503 of which was for debt service interest and fiscal charges.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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

Table 3
Governmental Activities

| | Total Cost of Service | | Net Cost of Service | |
|--|-----------------------|---------------|---------------------|---------------|
| | 2012 | 2011 | 2012 | 2011 |
| Instruction: | | | | |
| Regular | \$ 10,653,013 | 10,354,086 | \$ 7,419,712 | \$ 6,028,667 |
| Special | 3,438,801 | 3,193,860 | 2,137,401 | 1,294,554 |
| Vocational | 228,223 | 276,895 | 228,223 | 276,895 |
| Other | 2,367,043 | 2,475,878 | 2,367,043 | 2,475,878 |
| Support Services: | | | | |
| Pupils | 1,311,257 | 1,152,992 | 1,311,257 | 1,147,992 |
| Instructional Staff | 993,441 | 931,016 | 976,690 | 904,774 |
| Board of Education | 51,421 | 85,416 | 51,421 | 85,416 |
| Administration | 1,602,617 | 1,536,278 | 1,602,617 | 1,536,278 |
| Fiscal | 652,082 | 611,843 | 652,082 | 611,843 |
| Business | 136,515 | 140,118 | 136,515 | 140,118 |
| Operation and Maintenance of Plant | 2,108,832 | 2,184,119 | 2,108,832 | 2,184,119 |
| Pupil Transportation | 1,319,351 | 1,376,471 | 1,319,351 | 1,376,471 |
| Central | 57,010 | 60,771 | 57,010 | 60,771 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 871,692 | 918,528 | (106,468) | (11,642) |
| Community Services | 77,389 | 119,918 | 66,589 | 119,918 |
| Other | 0 | 4,781 | 0 | (12,194) |
| Extracurricular Activities | 718,359 | 677,510 | 433,365 | 395,461 |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 2,039,405 | 1,538,902 | 2,039,405 | 1,040,986 |
| <i>Total Expenses</i> | \$ 28,626,451 | \$ 27,639,382 | \$ 22,801,045 | \$ 19,656,305 |

The dependence upon general revenues for governmental activities is apparent. Nearly 80 percent of governmental activities are supported through taxes and other general revenues; such revenues are nearly 82 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental 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 and other financing sources of \$35,452,281 and expenditures of \$38,914,515 for fiscal year.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$3,205,237. This increase was achievable through continued cost reductions throughout the district as the School District moves toward getting out of fiscal emergency.

The fund balance of the debt service fund increased by \$117,562. This increase was primarily due to the timing of tax collections as compared to the timing of debt service payments from those collections.

The fund balance of the building fund decreased by \$2,198,984. Resources related to the local share of the Ohio School Facilities project was obtained in a prior year. During fiscal year 2012, these resources continued to be spent as the construction project continues.

The fund balance of the classroom facilities fund decreased by \$4,864,192. Ohio Classroom Facilities resources continue to come in; however, for the current year, expenditures surpassed the resources. Resources obtained in the prior year were used as construction continues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District made minimal changes to the budgets. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue and other financing sources of \$26,108,312 was \$1,792,381 higher than the final budget basis revenue and other financing sources by \$24,315,931. Most of this difference is due to an underestimation of intergovernmental revenue. Original and final budget basis revenue did not change during the fiscal year.

Final expenditure appropriations of \$23,720,685 were \$954,420 higher than the actual expenditures and other financing uses of \$22,775,265 as cost savings were recognized for throughout the year.

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Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$14,646,920 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

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

| | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | 2012 | 2011 |
| Land | \$ 967,020 | \$ 967,020 |
| Construction in Progress | 12,417,209 | 1,770,094 |
| Land Improvements | 841,758 | 841,758 |
| Buildings and Improvements | 9,991,299 | 9,991,299 |
| Furniture and Equipment | 3,433,781 | 3,410,832 |
| Vehicles | 181,249 | 181,249 |
| Textbooks | 906,811 | 906,811 |
| Accumulated Depreciation | (14,092,207) | (13,913,913) |
| <i>Totals</i> | <u>\$ 14,646,920</u> | <u>\$ 4,155,150</u> |

The \$10,491,770 increase in capital assets was attributable to increases in construction costs outpacing current year depreciation expense. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2012, the School District had \$34,683,415 in note and bond debt outstanding. See Note 15 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | 2012 | 2011 |
| Energy Conservation | \$ 266,917 | \$ 346,149 |
| School Facilities Improvement Bonds | 1,530,000 | 1,540,000 |
| Capital Appreciation Bonds | 724,861 | 724,861 |
| Accretion on Capital Appreciation Bonds | 312,396 | 128,232 |
| School Facilities Improvement Bonds (BAB) | 20,200,000 | 20,200,000 |
| School Facilities Improvement Bonds (QSCB) | 11,260,000 | 11,260,000 |
| Unamortized Premium | 389,241 | 400,689 |
| <i>Totals</i> | <u>\$ 34,683,415</u> | <u>\$ 34,599,931</u> |

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Current Issues

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

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 40.2 percent of revenues for governmental activities for the Springfield Local School District in fiscal year 2012.

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

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

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

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

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

The good news is that after years of stringent fiscal control, the School District was released from fiscal emergency as of November 22, 2011. The cash reserves are looking strong for the next 3 to 4 years as documented in our 5 Year Forecast.

Contacting the School District's Financial Management

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

Springfield Local School District

Statement of Net Assets

June 30, 2012

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Investments | \$ 38,368,117 |
| Cash and Investments with Fiscal Agent | 73,797 |
| Receivables: | |
| Intergovernmental | 2,147,637 |
| Property Taxes | 13,674,913 |
| Deferred Charges | 389,109 |
| Nondepreciable Capital Assets | 13,384,229 |
| Depreciable Capital Assets (Net) | <u>1,262,691</u> |
| <i>Total Assets</i> | <u>69,300,493</u> |
| Liabilities | |
| Accounts Payable | 19,622 |
| Accrued Wages and Benefits | 2,411,751 |
| Intergovernmental Payable | 964,781 |
| Accrued Vacation Leave Payable | 150,110 |
| Matured Compensated Absences Payable | 79,593 |
| Accrued Interest Payable | 459,203 |
| Claims Payable | 273,000 |
| Deferred Revenue | 11,526,392 |
| Long Term Liabilities: | |
| Due Within One Year | 823,244 |
| Due In More Than One Year | <u>35,021,880</u> |
| <i>Total Liabilities</i> | <u>51,729,576</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 1,899,858 |
| Restricted For: | |
| Capital Outlay | 7,906,881 |
| Debt Service | 1,015,997 |
| Other Purposes | 591,233 |
| Unrestricted | <u>6,156,948</u> |
| <i>Total Net Assets</i> | <u>\$ 17,570,917</u> |

See accompanying notes to the basic financial statements.

Springfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

| | Expenses | Program Revenues | | | Net (Expense) |
|--|----------------------|--------------------------------|-------------------------------|--|-----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Interest | Capital Grants, Contributions and Interest | Revenue and Changes in Net Assets |
| | | | | | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$ 10,653,013 | \$ 2,536,780 | \$ 380,968 | \$ 315,553 | \$ (7,419,712) |
| Special | 3,438,801 | 0 | 1,301,400 | 0 | (2,137,401) |
| Vocational | 228,223 | 0 | 0 | 0 | (228,223) |
| Other | 2,367,043 | 0 | 0 | 0 | (2,367,043) |
| Support Services: | | | | | |
| Pupils | 1,311,257 | 0 | 0 | 0 | (1,311,257) |
| Instructional Staff | 993,441 | 0 | 16,751 | 0 | (976,690) |
| Board of Education | 51,421 | 0 | 0 | 0 | (51,421) |
| Administration | 1,602,617 | 0 | 0 | 0 | (1,602,617) |
| Fiscal | 652,082 | 0 | 0 | 0 | (652,082) |
| Business | 136,515 | 0 | 0 | 0 | (136,515) |
| Operation and Maintenance of Plant | 2,108,832 | 0 | 0 | 0 | (2,108,832) |
| Pupil Transportation | 1,319,351 | 0 | 0 | 0 | (1,319,351) |
| Central | 57,010 | 0 | 0 | 0 | (57,010) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 871,692 | 319,098 | 659,062 | 0 | 106,468 |
| Community Services | 77,389 | 0 | 10,800 | 0 | (66,589) |
| Extracurricular Activities | 718,359 | 284,994 | 0 | 0 | (433,365) |
| Interest and Fiscal Charges | 2,039,405 | 0 | 0 | 0 | (2,039,405) |
| Total | \$ 28,626,451 | \$ 3,140,872 | \$ 2,368,981 | \$ 315,553 | (22,801,045) |

General Revenues

| | | |
|---|--|----------------------|
| Property Taxes Levied for: | | |
| General Purposes | | 10,466,627 |
| Debt Service | | 1,893,216 |
| Capital Outlay | | 422,346 |
| Grants and Entitlements Not Restricted to Specific Programs | | 13,071,270 |
| Investment Earnings | | 23,860 |
| Miscellaneous | | 67,385 |
| Total General Revenues | | 25,944,704 |
| Change in Net Assets | | 3,143,659 |
| Net Assets Beginning of Year | | 14,427,258 |
| Net Assets End of Year | | \$ 17,570,917 |

See accompanying notes to the basic financial statements.

Springfield Local School District
Balance Sheet
Governmental Funds
June 30, 2012

| | General Fund | Debt Service Fund | Building Fund | Classroom Facilities Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|---------------------|------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Investments | \$ 7,023,824 | \$ 693,940 | \$ 5,999,256 | \$ 22,626,830 | \$ 1,202,482 | \$ 37,546,332 |
| Cash and Investments with Fiscal Agent | 0 | 0 | 0 | 73,797 | 0 | 73,797 |
| Receivables: | | | | | | |
| Interfund | 183,768 | 0 | 0 | 0 | 0 | 183,768 |
| Intergovernmental | 330,517 | 0 | 0 | 1,106,055 | 711,065 | 2,147,637 |
| Property Taxes | 11,184,051 | 2,049,815 | 0 | 0 | 441,047 | 13,674,913 |
| <i>Total Assets</i> | <u>\$ 18,722,160</u> | <u>\$ 2,743,755</u> | <u>\$ 5,999,256</u> | <u>\$ 23,806,682</u> | <u>\$ 2,354,594</u> | <u>\$ 53,626,447</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ 2,357 | \$ 0 | \$ 0 | \$ 0 | \$ 17,265 | \$ 19,622 |
| Accrued Wages and Benefits | 2,103,922 | 0 | 0 | 0 | 307,829 | 2,411,751 |
| Intergovernmental Payable | 929,633 | 0 | 0 | 0 | 35,148 | 964,781 |
| Matured Compensated Absences Payable | 79,593 | 0 | 0 | 0 | 0 | 79,593 |
| Interfund Payable | 0 | 0 | 0 | 0 | 183,768 | 183,768 |
| Deferred Revenue | 10,488,520 | 1,872,290 | 0 | 1,009,365 | 656,932 | 14,027,107 |
| <i>Total Liabilities</i> | <u>13,604,025</u> | <u>1,872,290</u> | <u>0</u> | <u>1,009,365</u> | <u>1,200,942</u> | <u>17,686,622</u> |
| Fund Balances | | | | | | |
| Restricted | 0 | 871,465 | 5,999,256 | 22,797,317 | 1,226,552 | 30,894,590 |
| Assigned | 159,874 | 0 | 0 | 0 | 0 | 159,874 |
| Unassigned | 4,958,261 | 0 | 0 | 0 | (72,900) | 4,885,361 |
| <i>Total Fund Balances</i> | <u>5,118,135</u> | <u>871,465</u> | <u>5,999,256</u> | <u>22,797,317</u> | <u>1,153,652</u> | <u>35,939,825</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 18,722,160</u> | <u>\$ 2,743,755</u> | <u>\$ 5,999,256</u> | <u>\$ 23,806,682</u> | <u>\$ 2,354,594</u> | <u>\$ 53,626,447</u> |

See accompanying notes to the basic financial statements.

Springfield Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

| | | |
|--|--------------|----------------------|
| Total Governmental Fund Balances | | \$ 35,939,825 |
| <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. | | 14,646,920 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Property Taxes | \$ 964,206 | |
| Excess Costs | 273,062 | |
| Intergovernmental | 1,263,447 | 2,500,715 |
| 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. | | 548,785 |
| In the Statement of Activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. | | 389,109 |
| In the Statement of Activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported. | | (459,203) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Energy Conservation Bond | (266,917) | |
| School Facilities Improvement Bonds | (1,530,000) | |
| Capital Appreciation Bonds | (724,861) | |
| OFSC Build America Bonds | (20,200,000) | |
| OFSC Qualified School Construction Bonds | (11,260,000) | |
| Bond Premium | (389,241) | |
| Accretion of Interest - Capital Appreciation Bonds | (312,396) | |
| Capital Leases | (73,075) | |
| Vacation Benefits | (150,110) | |
| Compensated Absences | (1,088,634) | (35,995,234) |
| <i>Net Assets of Governmental Activities</i> | | \$ 17,570,917 |

See accompanying notes to the basic financial statements.

Springfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

| | General Fund | Debt Service Fund | Building Fund | Classroom Facilities Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------|---------------------|------------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | |
| Property and Other Local Taxes | \$ 10,255,994 | \$ 1,841,570 | \$ 0 | \$ 0 | \$ 413,311 | \$ 12,510,875 |
| Intergovernmental | 12,704,100 | 257,164 | 0 | 3,393,085 | 3,269,610 | 19,623,959 |
| Investment Income | 23,860 | 0 | 0 | 190,854 | 0 | 214,714 |
| Tuition and Fees | 2,412,676 | 0 | 0 | 0 | 0 | 2,412,676 |
| Extracurricular Activities | 139,969 | 0 | 0 | 0 | 143,371 | 283,340 |
| Rentals | 87,007 | 0 | 0 | 0 | 0 | 87,007 |
| Charges for Services | 0 | 0 | 0 | 0 | 237,513 | 237,513 |
| Contributions and Donations | 13,993 | 0 | 0 | 0 | 0 | 13,993 |
| Miscellaneous | 66,485 | 0 | 0 | 0 | 900 | 67,385 |
| <i>Total Revenues</i> | <u>25,704,084</u> | <u>2,098,734</u> | <u>0</u> | <u>3,583,939</u> | <u>4,064,705</u> | <u>35,451,462</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 9,856,000 | 0 | 0 | 0 | 666,614 | 10,522,614 |
| Special | 1,893,976 | 0 | 0 | 0 | 1,531,693 | 3,425,669 |
| Vocational | 226,373 | 0 | 0 | 0 | 0 | 226,373 |
| Other | 2,367,043 | 0 | 0 | 0 | 0 | 2,367,043 |
| Support Services: | | | | | | |
| Pupils | 1,028,091 | 0 | 0 | 0 | 260,600 | 1,288,691 |
| Instructional Staff | 974,785 | 0 | 0 | 0 | 13,587 | 988,372 |
| Board of Education | 27,561 | 0 | 0 | 0 | 0 | 27,561 |
| Administration | 1,513,590 | 0 | 0 | 0 | 65,446 | 1,579,036 |
| Fiscal | 649,431 | 0 | 0 | 0 | 0 | 649,431 |
| Business | 133,723 | 0 | 0 | 0 | 0 | 133,723 |
| Operation and Maintenance of Plant | 1,826,286 | 0 | 0 | 0 | 4,983 | 1,831,269 |
| Pupil Transportation | 1,308,732 | 0 | 0 | 0 | 0 | 1,308,732 |
| Central | 57,010 | 0 | 0 | 0 | 0 | 57,010 |
| Extracurricular Activities | 580,641 | 0 | 0 | 0 | 131,623 | 712,264 |
| Operation of Non-Instructional Services: | | | | | | |
| Food Service Operations | 0 | 0 | 0 | 0 | 861,222 | 861,222 |
| Community Services | 0 | 0 | 0 | 0 | 77,389 | 77,389 |
| Capital Outlay | 28,656 | 42,200 | 2,198,984 | 8,448,131 | 173,405 | 10,891,376 |
| Debt Service: | | | | | | |
| Principal Retirement | 21,825 | 89,232 | 0 | 0 | 0 | 111,057 |
| Interest and Fiscal Charges | 5,943 | 1,849,740 | 0 | 0 | 0 | 1,855,683 |
| <i>Total Expenditures</i> | <u>22,499,666</u> | <u>1,981,172</u> | <u>2,198,984</u> | <u>8,448,131</u> | <u>3,786,562</u> | <u>38,914,515</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>3,204,418</u> | <u>117,562</u> | <u>(2,198,984)</u> | <u>(4,864,192)</u> | <u>278,143</u> | <u>(3,463,053)</u> |
| Other Financing Sources | | | | | | |
| Proceeds from Sale of Capital Assets | 819 | 0 | 0 | 0 | 0 | 819 |
| <i>Total Other Financing Sources</i> | <u>819</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>819</u> |
| <i>Net Change in Fund Balance</i> | 3,205,237 | 117,562 | (2,198,984) | (4,864,192) | 278,143 | (3,462,234) |
| <i>Fund Balances Beginning of Year</i> | <u>1,912,898</u> | <u>753,903</u> | <u>8,198,240</u> | <u>27,661,509</u> | <u>875,509</u> | <u>39,402,059</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 5,118,135</u> | <u>\$ 871,465</u> | <u>\$ 5,999,256</u> | <u>\$ 22,797,317</u> | <u>\$ 1,153,652</u> | <u>\$ 35,939,825</u> |

See accompanying notes to the basic financial statements.

Springfield Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

| | | |
|---|--------------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (3,462,234) |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | | |
| Capital Asset Additions | \$ 10,670,064 | |
| Current Year Depreciation | <u>(178,294)</u> | 10,491,770 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property Taxes | 271,314 | |
| Excess Costs | 38,751 | |
| Intergovernmental | <u>(3,991,417)</u> | (3,681,352) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | |
| Note Principal | 89,232 | |
| Capital Leases | <u>21,825</u> | 111,057 |
| In the Statement of Activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued. | | |
| Accrued Interest Payable | 439 | |
| Bond Amortization of Issuance Costs | (11,445) | |
| Amortization of Premium on Bonds | <u>11,448</u> | 442 |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide Statement of Activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | |
| | | (91,235) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated Absences | (31,996) | |
| Vacations Payable | <u>(8,629)</u> | (40,625) |
| Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds. | | |
| | | <u>(184,164)</u> |
| <i>Change in Net Assets of Governmental Activities</i> | \$ | <u><u>3,143,659</u></u> |

See accompanying notes to the basic financial statements.

Springfield Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2012*

| | Budgeted Amounts | | | Variance with Final Budget Over (Under) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property and Other Local Taxes | \$ 10,271,330 | \$ 10,271,330 | \$ 10,670,731 | \$ 399,401 |
| Intergovernmental | 11,145,103 | 11,145,103 | 12,705,206 | 1,560,103 |
| Investment Income | 4,500 | 4,500 | 21,055 | 16,555 |
| Tuition and Fees | 2,260,485 | 2,260,485 | 2,351,008 | 90,523 |
| Rentals | 97,934 | 97,934 | 87,007 | (10,927) |
| Miscellaneous | 333,728 | 333,728 | 66,219 | (267,509) |
| <i>Total Revenues</i> | <u>24,113,080</u> | <u>24,113,080</u> | <u>25,901,226</u> | <u>1,788,146</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 10,178,329 | 10,178,227 | 9,904,665 | 273,562 |
| Special | 1,774,783 | 1,774,763 | 1,992,951 | (218,188) |
| Vocational | 292,812 | 292,810 | 237,873 | 54,937 |
| Other | 2,554,436 | 2,554,412 | 2,367,043 | 187,369 |
| Support Services: | | | | |
| Pupils | 1,185,452 | 1,185,441 | 1,049,967 | 135,474 |
| Instructional Staff | 951,680 | 951,810 | 969,018 | (17,208) |
| Board of Education | 36,123 | 36,123 | 34,237 | 1,886 |
| Administration | 1,663,935 | 1,663,920 | 1,540,840 | 123,080 |
| Fiscal | 638,491 | 638,484 | 658,086 | (19,602) |
| Business | 145,010 | 145,009 | 136,206 | 8,803 |
| Operation and Maintenance of Plant | 2,166,854 | 2,166,835 | 1,879,923 | 286,912 |
| Pupil Transportation | 1,437,618 | 1,437,605 | 1,327,312 | 110,293 |
| Central | 62,577 | 62,576 | 57,010 | 5,566 |
| Extracurricular Activities | 389,688 | 389,684 | 405,916 | (16,232) |
| Capital Outlay | 67,986 | 67,986 | 30,450 | 37,536 |
| <i>Total Expenditures</i> | <u>23,545,774</u> | <u>23,545,685</u> | <u>22,591,497</u> | <u>954,188</u> |
| <i>Excess of Revenues Over Expenditures</i> | <u>567,306</u> | <u>567,395</u> | <u>3,309,729</u> | <u>2,742,334</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | 1,481 | 1,481 | 819 | (662) |
| Advances In | 201,370 | 201,370 | 206,267 | 4,897 |
| Advances Out | (175,000) | (175,000) | (183,768) | (8,768) |
| <i>Total Other Financing Sources (Uses)</i> | <u>27,851</u> | <u>27,851</u> | <u>23,318</u> | <u>(4,533)</u> |
| <i>Net Change in Fund Balance</i> | 595,157 | 595,246 | 3,333,047 | 2,737,801 |
| <i>Fund Balance Beginning of Year</i> | 3,465,032 | 3,465,032 | 3,465,032 | 0 |
| Prior Year Encumbrances Appropriated | 74,079 | 74,079 | 74,079 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$ 4,134,268</u> | <u>\$ 4,134,357</u> | <u>\$ 6,872,158</u> | <u>\$ 2,737,801</u> |

See accompanying notes to the basic financial statements.

Springfield Local School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2012

| | Governmental Activities - Internal Service Fund |
|---------------------------------------|--|
| | <u> </u> |
| Assets | |
| <i>Current Assets</i> | |
| Equity in Pooled Cash and Investments | <u>\$ 821,785</u> |
| Liabilities | |
| <i>Current Liabilities</i> | |
| Claims Payable | <u> 273,000</u> |
| Net Assets | |
| Unrestricted | <u> 548,785</u> |
| <i>Total Net Assets</i> | <u><u>\$ 548,785</u></u> |

See accompanying notes to the basic financial statements.

Springfield Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

| | Governmental Activities - Internal Service Fund |
|-------------------------------------|--|
| Operating Revenue | |
| Charges for Services | \$ 2,961,593 |
| Operating Expenses | |
| Administrative Fees | 420,157 |
| Claims | 2,632,671 |
| <i>Total Operating Expenses</i> | <u>3,052,828</u> |
| <i>Change in Net Assets</i> | (91,235) |
| <i>Net Assets Beginning of Year</i> | <u>640,020</u> |
| <i>Net Assets End of Year</i> | <u><u>\$ 548,785</u></u> |

See accompanying notes to the basic financial statements.

Springfield Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012

| | <u>Governmental Activities - Internal Service Fund</u> |
|--|--|
| Cash Flows From Operating Activities | |
| Cash Received for charges for service customers | \$ 2,961,593 |
| Cash Paid for Claims | (2,609,671) |
| Cash Paid for administration fees | <u>(420,157)</u> |
| <i>Net Cash Provided By (Used For) Operating Activities</i> | <u>(68,235)</u> |
| <i>Net Increase (Decrease) in Cash and Investments</i> | (68,235) |
| <i>Cash and Investments Beginning of Year</i> | <u>890,020</u> |
| <i>Cash and Investments End of Year</i> | <u><u>\$ 821,785</u></u> |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities | |
| Operating Income (Loss) | \$ (91,235) |
| Adjustments: | |
| Claims Payable | <u>23,000</u> |
| <i>Total Adjustments</i> | <u>23,000</u> |
| <i>Net Cash Provided By (Used For) Operating Activities</i> | <u><u>\$ (68,235)</u></u> |

See accompanying notes to the basic financial statements.

Springfield Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

| | Private Purpose Trust | Agency |
|---------------------------------------|--------------------------|-----------|
| Assets | | |
| Equity in Pooled Cash and Investments | \$ 1,443 | \$ 54,922 |
| Liabilities | | |
| Undistributed Monies | \$ 0 | \$ 5,317 |
| Due to Students | 0 | 49,605 |
| <i>Total Liabilities</i> | 0 | \$ 54,922 |
| Net Assets | | |
| Held in Trust for Scholarships | 1,443 | |
| <i>Total Net Assets</i> | \$ 1,443 | |

See accompanying notes to the basic financial statements.

Springfield Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

| | <u>Private Purpose Trust</u> |
|-------------------------------------|----------------------------------|
| Additions | |
| Gifts and Contributions | <u>\$ 500</u> |
| <i>Change in Net Assets</i> | 500 |
| <i>Net Assets Beginning of Year</i> | <u>943</u> |
| <i>Net Assets End of Year</i> | <u><u>\$ 1,443</u></u> |

See accompanying notes to the basic financial statements.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012*

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 124 classified employees and 175 certified full-time teaching personnel who provide services to 2,383 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).

Reporting Entity

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

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

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

The School District participates in one jointly governed organization, the Northeastern Ohio Network (NEOnet), which is presented in Note 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District applies generally accepted accounting principles that were issued prior to November 30, 1989 by the Financial Accounting Standards Board ("FASB") to its governmental funds

Springfield Local School District (Summit County, Ohio)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)

provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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.

Bond Retirement Fund The bond retirement fund accounts for tax revenues collected and used to retire long term bond obligations of the School District.

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

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

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

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

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

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

C. Measurement Focus

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

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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

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

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

D. Basis of Accounting

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

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

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

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Investments

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

During fiscal year 2012, investments were limited to STAROhio, (the State Treasurer's Investment Pool), U.S Treasury and agency securities, repurchase agreements and certificates of deposit.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011. Repurchase agreements are reported at cost.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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 2012 amounted to \$23,860 which includes \$8,679 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 acquisition or construction of capital assets. See Note 18 for calculation of the year-end restricted asset balance and the corresponding fund balance restrictions.

G. Capital Assets

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

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

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

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

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

H. 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.

I. Compensated Absences

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

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

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

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

J. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments 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.

K. 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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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

L. Fund Balance

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

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

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

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

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

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

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

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

M. Operating Revenues and Expenses

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

N. Interfund Activity

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

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

P. Estimates

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

Q. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the alternate tax budget, the Certificate of Estimated Resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control for 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, 2012
(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 2012.

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.

Note 3 – Fund Deficits

Fund balances at June 30, 2012 included the following individual fund deficits:

| | <u>Deficit</u> |
|------------------------------|---------------------|
| | <u>Fund Balance</u> |
| Nonmajor Governmental Funds: | |
| Food Service | \$ 71,104 |
| Vocational Education | 1 |
| Title VI-B | 1,793 |
| Drug Free | 2 |

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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

Note 4 - Budgetary Basis of Accounting

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

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

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Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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

| | <u>General</u> |
|---|---------------------|
| GAAP Basis | \$ 3,205,237 |
| Net Adjustment for Revenue Accruals | 355,598 |
| Advance In | 206,267 |
| Advance Out | (183,768) |
| Net Adjustment for Expenditure Accruals | (235,894) |
| Funds Budgeted Elsewhere** | 29,491 |
| Adjustment for Encumbrances | <u>(43,884)</u> |
| Budget Basis | <u>\$ 3,333,047</u> |

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

Note 5 - Deposits and Investments

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

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

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

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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;
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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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.

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$5,831,169 and the bank balance was \$5,897,890.

1. \$5,890,437 was covered by federal depository insurance;
2. \$7,153 was uninsured and uncollateralized.

Investments

Investments are reported at fair value. As of June 30, 2012, the School District had the following investments:

| Rating by Moody | Entity | Fair Value | Investment Maturities in months | | | Percentage of Total Investment |
|--------------------|--------------------------|---------------------|------------------------------------|--------------------|---------------------|--------------------------------------|
| | | | (0-6) | (7-12) | (13-36) | |
| N/A | Repurchase Agreement | \$ 6,155,000 | \$ 6,155,000 | \$ 0 | \$ 0 | 18.84% |
| AAAm** | STAROhio | 768,043 | 768,043 | 0 | 0 | 2.35% |
| Aaa | FNMA | 2,954,773 | 0 | 1,260,454 | 1,694,319 | 9.05% |
| Aaa | FHLB | 14,642,827 | 9,607,269 | 5,035,558 | 0 | 44.82% |
| Aaa | FFCB | 1,840,104 | 0 | 1,255,844 | 584,260 | 5.63% |
| Aaa | FHLM | 1,897,069 | 1,825,434 | 0 | 71,635 | 5.81% |
| N/A | US Treasury Money Market | 4,408,944 | 4,408,944 | 0 | 0 | 13.50% |
| | | <u>\$32,666,760</u> | <u>\$22,764,690</u> | <u>\$7,551,856</u> | <u>\$ 2,350,214</u> | <u>100.00%</u> |

**Rated by Standard and Poor's

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

Credit Risk: Standard & Poor's has assigned STAROhio an AAAM rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

Concentration of Credit Risk: The School District places no limit on the amount the School District may invest in any one issuer. More than 5% of the School District's investments are in Federal securities which are 79% of the School District's total investments, and the repurchase agreement represents 19% of the School District's investments, for the amounts listed above.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investments' counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%.

Note 6 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

The School District receives property taxes from Summit and Portage Counties. The Summit County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$978,931 in the general fund, \$174,892 in the bond retirement debt service fund, and \$33,492 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$1,383,330 in the general fund, \$224,003 in the bond retirement debt service fund, and \$51,546 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$ 385,292,690 | 98.43% | \$ 350,392,700 | 98.28% |
| Public Utility Personal Property | 6,125,300 | 1.57% | 6,087,090 | 1.72% |
| | <u>\$ 391,417,990</u> | <u>100.00%</u> | <u>\$ 356,479,790</u> | <u>100.00%</u> |
| Full Tax Rate per \$1,000 of assessed valuation | <u>\$ 53.53</u> | | <u>\$ 55.29</u> | |

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

Springfield Local School District (Summit County, Ohio)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)

Note 7 - Interfund Balances

Interfund balances at June 30, 2012 consisted of the following:

| | Interfund Receivable | Interfund Payable |
|----------------------------------|-------------------------|----------------------|
| General Fund | \$ 183,768 | \$ 0 |
| Title II D | 0 | 5,120 |
| School Improvement | 0 | 71,356 |
| Vocational Education Enhancement | 0 | 1,900 |
| Part B IDEA | 0 | 5,285 |
| Title I | 0 | 42,394 |
| Race to the Top | 0 | 57,713 |
| Total Special Revenue | 0 | 183,768 |
| Totals | \$ 183,768 | \$ 183,768 |

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, 2012, all interfund loans outstanding are anticipated to be repaid in fiscal year 2012.

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Springfield Local School District (Summit County, Ohio)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)

Note 8 – Receivables

Receivables at June 30, 2012 consisted of taxes, interfund, and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

| <i>Major Governmental Funds:</i> | <u>Amount</u> |
|--|---------------------------|
| General Fund | \$ 330,517 |
| Classroom Facilities | <u>1,106,055</u> |
| <i>Total major governmental funds</i> | 1,436,572 |
| | |
| <i>Nonmajor Governmental Funds:</i> | |
| Vocational Education | 1,900 |
| Education Jobs | 54,010 |
| Race to the Top | 207,670 |
| IDEA Part B | 105,045 |
| Title II-A | 21,175 |
| Title II-D | 5,120 |
| Early Childhood Special Ed | 2,990 |
| Title I | 203,087 |
| Title I -A | <u>110,068</u> |
| <i>Total nonmajor governmental funds</i> | <u>711,065</u> |
| Total intergovernmental receivables | <u><u>\$2,147,637</u></u> |

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Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

| | <u>Balance</u> <u>6/30/11</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>6/30/12</u> |
|---|----------------------------------|----------------------|-------------------|----------------------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, not being depreciated:</i> | | | | |
| Construction in Progress | \$ 1,770,094 | \$ 10,647,115 | \$ 0 | \$ 12,417,209 |
| Land | <u>967,020</u> | <u>0</u> | <u>0</u> | <u>967,020</u> |
| Total Capital Assets, not being depreciated | 2,737,114 | 10,647,115 | 0 | 13,384,229 |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Land Improvements | 841,758 | 0 | 0 | 841,758 |
| Buildings and Improvements | 9,991,299 | 0 | 0 | 9,991,299 |
| Furniture and Equipment | 3,410,832 | 22,949 | 0 | 3,433,781 |
| Vehicles | 181,249 | 0 | 0 | 181,249 |
| Textbooks | <u>906,811</u> | <u>0</u> | <u>0</u> | <u>906,811</u> |
| Total Capital Assets, being depreciated | <u>15,331,949</u> | <u>22,949</u> | <u>0</u> | <u>15,354,898</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (762,832) | (7,032) | 0 | (769,864) |
| Buildings and Improvements | (9,063,725) | (64,580) | 0 | (9,128,305) |
| Furniture and Equipment | (3,006,787) | (101,688) | 0 | (3,108,475) |
| Vehicles | (173,758) | (4,994) | 0 | (178,752) |
| Textbooks | <u>(906,811)</u> | <u>0</u> | <u>0</u> | <u>(906,811)</u> |
| Total Accumulated Depreciation | <u>(13,913,913)</u> | <u>(178,294)</u> | <u>0</u> | <u>(14,092,207)</u> |
| Total Capital Assets being depreciated, net | <u>1,418,036</u> | <u>(155,345)</u> | <u>0</u> | <u>1,262,691</u> |
| Governmental Capital Assets, net | <u>\$ 4,155,150</u> | <u>\$ 10,491,770</u> | <u>\$ 0</u> | <u>\$ 14,646,920</u> |

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Springfield Local School District (Summit County, Ohio)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|-------------------|
| Instruction: | |
| Regular | \$ 105,891 |
| Support Services: | |
| Pupil | 25 |
| Instructional Staff | 1,929 |
| Board of Education | 23,860 |
| Administration | 1,636 |
| Fiscal | 504 |
| Operation and Maintenance of Plant | 27,194 |
| Pupil Transportation | 5,129 |
| Food Service | 8,162 |
| Extracurricular Activities | <u>3,964</u> |
| Total Depreciation | <u>\$ 178,294</u> |

Note 10 – Risk Management

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

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

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

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

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2012, a total expense of \$3,052,828 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 \$273,000 reported in the fund at June 30, 2012 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.

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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 2012 and 2011 were:

| | Balance Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|--|--------------------------------|---------------------------|-----------------------------------|
| 2011 | \$ 315,000 | \$ 2,491,484 | \$2,556,484 | \$ 250,000 |
| 2012 | 250,000 | 2,632,671 | 2,609,671 | 273,000 |

Note 11 – Compensated Absences

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

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

Note 12 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent 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 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$528,480, \$507,480 and \$483,408, respectively; 56 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement 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 may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the 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.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,418,694, \$1,418,983 and \$1,585,101, respectively; 83 percent has been

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$10,367 made by the School District and \$20,932 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, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. 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. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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 (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$65,496, \$88,281, and \$62,627, respectively; 56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$26,108, \$23,002, and \$29,123, respectively; 56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$109,130, \$109,153, and \$121,931, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Note 14 – Contingencies

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

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

Note 15 - Long - Term Obligations

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

| | Outstanding 6/30/11 | Additions | Reductions | Outstanding 6/30/12 | Amounts Due in One Year |
|--|------------------------|-------------------|-------------------|------------------------|-------------------------------|
| Governmental Activities: | | | | | |
| Energy Conservation Note | \$ 346,149 | \$ 0 | \$ 79,232 | \$ 266,917 | \$ 83,915 |
| <i>School Facilities Improvement Bonds</i> | | | | | |
| Series 2010A Tax-Exempt Bond | 1,540,000 | 0 | 10,000 | 1,530,000 | 0 |
| Capital Appreciation Bond | 496,934 | 0 | 0 | 496,934 | 496,934 |
| Accretion on CAB's | 87,896 | 126,231 | 0 | 214,127 | 214,127 |
| Capital Appreciation Bond | 227,927 | 0 | 0 | 227,927 | 0 |
| Accretion on CAB's | 40,336 | 57,933 | 0 | 98,269 | 0 |
| Series 2010B Build America Bonds | 20,200,000 | 0 | 0 | 20,200,000 | 0 |
| Series 2010C Qualified School Construction | 11,260,000 | 0 | 0 | 11,260,000 | 0 |
| Issuance Premium | 400,689 | 0 | 11,448 | 389,241 | 0 |
| <i>Total School Facilities Improvement Bonds</i> | <u>34,253,782</u> | <u>184,164</u> | <u>21,448</u> | <u>34,416,498</u> | <u>711,061</u> |
| <i>Other Long-Term Liabilities</i> | | | | | |
| Capital Lease | 94,900 | 0 | 21,825 | 73,075 | 23,400 |
| Compensated Absences | 1,056,638 | 39,103 | 7,107 | 1,088,634 | 4,868 |
| <i>Total Other Long-Term Liabilities</i> | <u>1,151,538</u> | <u>39,103</u> | <u>28,932</u> | <u>1,161,709</u> | <u>28,268</u> |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | <u>\$35,751,469</u> | <u>\$ 223,267</u> | <u>\$ 129,612</u> | <u>\$35,845,124</u> | <u>\$ 823,244</u> |

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

Springfield Local School District (Summit County, Ohio)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)

Energy Conservation Note

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

School Improvement General Obligation Bonds

On August 31, 2010, the School District issued \$33,724,861 in voted general obligation bonds for the purpose of constructing, furnishing, equipping and improving a new school building for grades 7 through 12 along with related abatement and demolition, and other school district building improvements. The bond issue included a current interest bond in the amount of \$1,540,000 and two capital appreciation bonds in the amount of \$496,934 and \$227,927, respectively. The issuance also included federally taxable Build America Bonds for \$20,200,000 and federally taxable qualified school construction bonds for \$11,260,000. The bonds were issued with a premium of \$412,137, which was reported as an increase to long-term debt in fiscal year 2011. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, which is not significantly different than the bonds outstanding or the effective interest methods. The amortization for June 30, 2012 was \$11,448. The issuance costs of \$411,998 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization for June 30, 2012 was \$11,445. The bonds will be retired with a voted property tax levy from the bond retirement debt service fund.

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

The capital appreciation bond for \$496,934 will mature on September 1, 2012 with a maturity value of \$735,000. In fiscal year 2012, \$126,231 was accreted. The capital appreciation bond for \$227,927 will mature on September 1, 2013 with a maturity value of \$410,000. In fiscal year 2012, \$57,933 was accreted.

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

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

Principal and interest requirements to retire long-term general obligation bonds outstanding at June 30, 2012 are as follows:

| Fiscal Year Ending June 30, | Energy Conservation Note | | |
|--------------------------------|--------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2013 | \$ 83,915 | \$ 15,775 | \$ 99,690 |
| 2014 | 88,875 | 10,815 | 99,690 |
| 2015 | 94,127 | 5,563 | 99,690 |
| Total | \$266,917 | \$32,153 | \$299,070 |

| Fiscal Year Ending June 30, | Serial | | Capital Appreciation | | Build America | | Qualified School Construction | |
|--------------------------------|--------------------|------------------|----------------------|------------------|---------------------|---------------------|----------------------------------|--------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | \$ 0 | \$ 29,788 | \$496,934 | \$238,066 | \$ 0 | \$ 1,210,613 | \$ 0 | \$ 591,150 |
| 2014 | 325,000 | 26,943 | 227,927 | 182,073 | 0 | 1,210,613 | 0 | 591,150 |
| 2015 | 745,000 | 16,650 | 0 | 0 | 0 | 1,210,613 | 0 | 591,150 |
| 2016 | 460,000 | 4,600 | 0 | 0 | 0 | 1,210,613 | 300,000 | 591,150 |
| 2017 | 0 | 0 | 0 | 0 | 0 | 1,210,613 | 770,000 | 591,150 |
| 2018-2022 | 0 | 0 | 0 | 0 | 0 | 6,053,063 | 4,220,000 | 2,955,750 |
| 2023-2027 | 0 | 0 | 0 | 0 | 0 | 6,053,062 | 4,890,000 | 2,955,750 |
| 2028-2032 | 0 | 0 | 0 | 0 | 4,200,000 | 5,594,282 | 1,080,000 | 295,575 |
| 2033-2037 | 0 | 0 | 0 | 0 | 6,620,000 | 3,928,873 | 0 | 0 |
| 2038-2042 | 0 | 0 | 0 | 0 | 7,980,000 | 1,669,980 | 0 | 0 |
| 2043 | 0 | 0 | 0 | 0 | 1,400,000 | 44,100 | 0 | 0 |
| Totals | \$1,530,000 | \$ 77,981 | \$724,861 | \$420,139 | \$20,200,000 | \$29,396,425 | \$11,260,000 | \$9,162,825 |

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

Note 16- Capitalized Leases

Capital assets consisting of furniture and fixtures have been capitalized in the amount of \$117,569. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2012 totaled \$21,825 from the general fund. The following is a schedule of the future minimum lease payments as of June 30, 2012.

| Fiscal Year Ending June 30, | Amount |
|--|-----------------|
| 2013 | \$27,768 |
| 2014 | 27,768 |
| 2015 | 25,454 |
| | 80,990 |
| Less: Amount Representing Interest | (7,915) |
| Present Value of Net Minimum Payments | \$73,075 |

Springfield Local School District (Summit County, Ohio)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)

Note 17 – 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, 2012, the District paid approximately \$74,829 to NEOnet for basic service charges.

Note 18 – Statutory Reserves

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

Springfield Local School District (Summit County, Ohio)

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)*

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

| | <u>Capital Improvement Reserve</u> |
|--|--|
| Set-Aside Restricted Balance as of June 30, 2011 | \$ 0 |
| Current Year Set-Aside Requirement | 404,839 |
| Current Year Qualifying Expenditures | 0 |
| Current Year Offsets | <u>(404,839)</u> |
| Total | <u>\$ 0</u> |
| | |
| Balance Carried Forward to Fiscal Year 2013 | <u>\$ 0</u> |
| | |
| Set Aside Restricted Balance June 30, 2012 | <u>\$ 0</u> |

For the capital improvement reserve, qualifying expenditures and current year offsets were sufficient to meet the state statute requirements for fiscal year 2012.

Note 19 – Fund Balance

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

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

Springfield Local School District (Summit County, Ohio)
Notes to the Basic Financial Statements
For the Fiscal Year Ended June, 30, 2012
(Continued)

| | General | Debt Service | Building | Classroom Facilities | Other Governmental Funds | Total |
|---------------------------|---------------------|-------------------|---------------------|-------------------------|--------------------------------|----------------------|
| Restricted for: | | | | | | |
| Debt Service | \$ 0 | \$ 871,465 | \$ 0 | \$ 0 | \$ 0 | \$ 871,465 |
| Capital Outlay | 0 | 0 | 5,999,256 | 22,797,317 | 889,401 | 29,685,974 |
| Management Info Systems | 0 | 0 | 0 | 0 | 6,083 | 6,083 |
| Federal Grant Programs | 0 | 0 | 0 | 0 | 193,132 | 193,132 |
| Athletics | 0 | 0 | 0 | 0 | 73,335 | 73,335 |
| Other Grants | 0 | 0 | 0 | 0 | 64,601 | 64,601 |
| Total Restricted | 0 | 871,465 | 5,999,256 | 22,797,317 | 1,226,552 | 30,894,590 |
| Assigned for: | | | | | | |
| Encumbrances: | | | | | | |
| Instruction | 225 | 0 | 0 | 0 | 0 | 225 |
| Support Services | 41,807 | 0 | 0 | 0 | 0 | 41,807 |
| Extracurricular | 6,734 | 0 | 0 | 0 | 0 | 6,734 |
| Other Purposes | 111,108 | 0 | 0 | 0 | 0 | 111,108 |
| Total Assigned | 159,874 | 0 | 0 | 0 | 0 | 159,874 |
| Unassigned | 4,958,261 | 0 | 0 | 0 | (72,900) | 4,885,361 |
| Total Fund Balance | \$ 5,118,135 | \$ 871,465 | \$ 5,999,256 | \$ 22,797,317 | \$ 1,153,652 | \$ 35,939,825 |

SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|---------------------------|---------------------------|------------------------|---------------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | |
| <i>Child Nutrition Cluster:</i> | | | | | |
| <i>Cash Assistance:</i> | | | | | |
| National School Breakfast Program | 10.553 | \$133,081 | | \$133,081 | |
| National School Lunch Program | 10.555 | 511,525 | | 511,525 | |
| <i>Non-Cash Assistance (Food Distribution)</i> | | | | | |
| National School Lunch Program | 10.555 | | \$45,273 | | \$45,273 |
| Total Child Nutrition Cluster | | <u>644,606</u> | <u>45,273</u> | <u>644,606</u> | <u>45,273</u> |
| Total U.S. Department of Agriculture | | <u>644,606</u> | <u>45,273</u> | <u>644,606</u> | <u>45,273</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | |
| <i>Special Education Cluster:</i> | | | | | |
| Special Education Grants to States | 84.027 | 595,893 | | 590,637 | |
| Special Education Preschool Grants | 84.173 | 13,761 | | 13,587 | |
| ARRA Special Education Grants to States | 84.391 | 116,339 | | 175,842 | |
| Total Special Education Cluster | | <u>725,993</u> | | <u>780,066</u> | |
| Title I, Grants to Local Educational Agencies | 84.010 | 822,794 | | 812,858 | |
| ARRA Title I, Grants to Local Educational Agencies | 84.389 | 51,096 | | 60,670 | |
| Total Title I Grants | | <u>873,890</u> | | <u>873,528</u> | |
| Education Jobs Fund | 84.410 | 390,426 | | 387,068 | |
| Safe and Drug-Free Schools and Communities State Grants | 84.186 | 3,267 | | 3,060 | |
| Educational Technology State Grants | 84.318 | 2,546 | | 3,126 | |
| ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants | 84.394 | 0 | | 62,092 | |
| Race to the Top Grant | 84.395 | 45,278 | | 80,208 | |
| Improving Teacher Quality Grant Fund | 84.367 | 131,517 | | 132,046 | |
| Total U.S. Department of Education | | <u>2,172,917</u> | | <u>2,321,194</u> | |
| Totals | | <u>\$2,817,523</u> | <u>\$45,273</u> | <u>\$2,965,800</u> | <u>\$45,273</u> |

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Summit County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 1, 2013.

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

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

Dave Yost
Auditor of State

February 1, 2013



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

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

To the Board of Education:

Compliance

We have audited the compliance of Springfield Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Springfield Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these 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 these requirements.

In our opinion, the Springfield Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



Dave Yost
Auditor of State

February 1, 2013

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2012**

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 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 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(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Nutrition Cluster CFDA 10.553 and 10.555; Education Jobs CFDA 84.410; Special Education Grants to States CFDA 84.027, 84.391 and 84.173 |
| <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.

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SPRINGFIELD LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 7, 2013