



**Auditor of State
Betty Montgomery**

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Springfield Local School District
Lucas County
6900 Hall Street
Holland, Ohio 43528-9386

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, Lucas County, (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Lucas County, Ohio, as of June 30, 2004, and the respective changes in financial position, where applicable, and the budgetary comparison for the General fund thereof 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 March 16, 2005, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 16, 2005

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004**

The discussion and analysis of the Springfield Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets increased \$ 2,255,327.
- General revenues accounted for \$33,461,436, or 88 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$4,522,230 or 12 percent of total revenues of \$37,983,666.
- The District's major funds included the General Fund, the Bond Retirement Debt Service Fund, and the Building and Construction Capital Projects Fund.
 - The General Fund had \$29,913,263 in revenues and other financing sources and \$29,323,515 in expenditures and other financing uses. The General Fund's balance increased \$589,748 from the prior fiscal year. Taxes increased from FY 2003 to FY 2004 by \$1,399,017 due to increases in property valuations. Expenditures increased from FY 2003 to FY 2004 by \$505,935 caused by scheduled employee rate increases and increases in health insurance.
 - The Bond Retirement Debt Service Fund had \$9,653,497 in revenues and other financing sources and \$9,170,197 in expenditures and other uses. The Bond Retirement Debt Service Fund's balance increased \$483,300 from the prior fiscal year. Taxes increased from FY 2003 to FY 2004 \$149,772 due to increases in property valuations. Expenditures decreased \$60,632 due to reduction in debt service requirements. The District refunded a \$7,050,000 1992 debt issue and this activity is shown as Other Financing Sources and (Uses).
 - The Building and Construction Capital Projects Fund had \$9,255,440 in revenues and other financing sources and \$98,637 in expenditures. The Building and Construction Capital Projects Fund's balance increased \$9,156,803 from the prior fiscal year. The District issued \$9,250,000 in bonds in June 2004.

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

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

differences) between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004. In fiscal year 2004, the District issued \$9,250,000 in bonds. Also, tax receivables increased due to the effects of a triennial update for 2004. Note 4 to the basic financial statements report this increase in valuation. These increases affected the District's current assets as well as liabilities. The financial position of the District has improved as result in the increase in real estate taxes and grants. The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. Those two revenue sources represent 93 percent of total governmental activities revenue.

Table 1
Net Assets
Governmental Activities

	2004	2003
Assets:		
Current and Other Assets	\$ 40,897,988	\$ 26,152,853
Capital Assets, Net	15,668,803	16,207,435
<i>Total Assets</i>	<u>56,566,791</u>	<u>42,360,288</u>
Liabilities:		
Current and Other Liabilities	27,969,383	24,377,478
Long-Term Liabilities	21,650,178	13,290,907
<i>Total Liabilities</i>	<u>49,619,561</u>	<u>37,668,385</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,608,803	5,072,435
Restricted	4,278,590	3,365,406
Unrestricted	(2,940,163)	(3,745,938)
<i>Total</i>	<u>\$ 6,947,230</u>	<u>\$ 4,691,903</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2004.

Table 2
Change in Net Assets
Governmental Activities

	2004	2003
Revenues:		
Program Revenues:		
Charges for Services and Sales	1,951,929	1,548,769
Operating Grants, Contributions and Interest	2,550,984	2,227,693
Capital Grants and Contributions	19,317	55,604
<i>Total Program Revenues</i>	4,522,230	3,832,066
General Revenues:		
Property Taxes	24,062,999	22,454,246
Grants and Entitlements	8,690,407	8,617,601
Interest	127,047	127,937
Gifts and Donations	30,672	61,239
Payments in Lieu of Taxes	6,664	13,219
Miscellaneous	543,647	418,806
<i>Total General Revenues</i>	33,461,436	31,693,048
<i>Total Revenues</i>	37,983,666	35,525,114
Expenses:		
Instruction	21,000,500	20,175,149
Support Services:		
Pupils	1,525,911	1,714,361
Instructional Staff	656,057	668,550
Board of Education	34,533	43,774
Administration	2,612,678	2,319,776
Fiscal	577,267	545,384
Operation and Maintenance of Plant	3,210,624	3,173,547
Pupil Transportation	1,876,653	1,693,461
Central	123,958	102,078
Non-Instructional	2,120,104	1,735,977
Extracurricular Activities	1,149,634	1,093,421
Capital Outlay	210,048	
Interest and Fiscal Charges	630,372	701,010
<i>Total Expenses</i>	35,728,339	33,966,488
<i>Increase in Net Assets</i>	\$ 2,255,327	\$ 1,558,626

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$ 21,000,500	\$ 18,780,139	\$ 20,175,149	\$ 18,430,169
Support Services:				
Pupils	1,525,911	1,469,687	1,714,361	1,582,243
Instructional Staff	656,057	494,071	668,550	502,099
Board of Education	34,533	34,533	43,774	43,774
Administration	2,612,678	2,612,678	2,319,776	2,264,776
Fiscal	577,267	577,267	545,384	545,384
Operation and Maintenance of Plant	3,210,624	3,210,624	3,173,547	3,173,547
Pupil Transportation	1,876,653	1,857,336	1,693,461	1,693,461
Central	123,958	110,297	102,078	88,157
Non-Instructional	2,120,104	493,714	1,735,977	196,580
Extracurricular Activities	1,149,634	725,343	1,093,421	913,222
Capital Outlay	210,048	210,048		
Interest and Fiscal Charges	630,372	630,372	701,010	701,010
<i>Total Expenses</i>	<u>\$ 35,728,339</u>	<u>\$ 31,206,109</u>	<u>\$ 33,966,488</u>	<u>\$ 30,134,422</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 88 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$37,453,671 and expenditures of \$36,455,563. The net positive change in fund balance of \$998,108 for the year indicates that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2004, the District amended its General Fund budget as needed.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Final expenditures were budgeted at \$30,872,202 while actual expenditures and encumbrances were \$29,682,137. The \$1,190,065 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual General Fund revenues were less than expenditures by \$29,906. During fiscal year 2004, interest revenue decreased significantly due to the declining economy. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$15,668,803 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets see Note 7 to the basic financial statements.

Debt

At June 30, 2004, the District had \$19,310,000 in two school improvement general obligation bond issues for building improvements. The oldest bond was issued in 1987 for a twenty-three year period, with final maturity on December 1, 2010. A 2004 issue of \$16,300,000 consisted of a \$7,050,000 refunding of a 1992 issue and \$9,250,000 in new proceeds. The new bonds have a twenty-year life span with a final maturity on December 1, 2025. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2004, the District's overall legal debt margin was \$46,204,577, with a direct limit un-voted debt margin of \$727,940.

For further information regarding the District's debt see Note 13 to the basic financial statements.

Current Issues

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

The district is currently operating in the first year of the state biennium budget. According to the 2004 Local District Report Card 68.3 percent of district revenue sources are from local funds, 26.1 percent from state funds and the remaining 5.5 percent is from federal funds. The total expenditure per pupil was calculated at \$8,547, which is a \$1,506 increase from the 2000 report card.

In 2000, the District passed a four-year operating levy of 8.9 mills. This levy will need to be replaced by December 2005 for the financial operations and stability of the district.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2004
(Continued)**

Contacting the District's Financial Management

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

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**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Net Assets
June 30, 2004**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 15,053,106
Materials and Supplies Inventory	14,426
Receivables:	
Accrued Interest Receivable	50
Accounts Receivable	98,349
Intergovernmental Receivable	347,548
Taxes	25,230,598
Prepaid Items	23,569
Unamortized Bond Issue Costs	130,342
Capital Assets	
Non-Depreciable Capital Assets	480,574
Depreciable Capital Assets, Net	15,188,229
<i>Total Assets</i>	56,566,791
Liabilities	
Accounts Payable	457,717
Accrued Wages and Benefits Payable	3,635,984
Intergovernmental Payable	478,205
Matured Compensated Absences Payable	279,326
Deferred Revenue	23,118,151
Long Term Liabilities:	
Due Within One Year	1,460,656
Due in More Than One Year	20,189,522
<i>Total Liabilities</i>	49,619,561
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,608,803
Restricted for Debt Service	3,113,349
Restricted for Capital Outlay	770,246
Restricted for Other Purposes	394,995
Unrestricted	(2,940,163)
<i>Total Net Assets</i>	\$ 6,947,230

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2004**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and Change in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 15,236,341	\$ 816,493	\$ 182,636		\$ (14,237,212)
Special	3,542,343		1,221,232		(2,321,111)
Vocational	268,777				(268,777)
Other	1,953,039				(1,953,039)
Support services:					
Pupils	1,525,911		56,224		(1,469,687)
Instructional Staff	656,057		161,986		(494,071)
Board of Education	34,533				(34,533)
Administration	2,612,678				(2,612,678)
Fiscal	577,267				(577,267)
Operation and Maintenance of Plant	3,210,624				(3,210,624)
Pupil Transportation	1,876,653			19,317	(1,857,336)
Central	123,958		13,661		(110,297)
Operation of Non-Instructional Services	2,120,104	711,145	915,245		(493,714)
Extracurricular Activities	1,149,634	424,291			(725,343)
Capital Outlay	210,048				(210,048)
Interest and Fiscal Charges	630,372				(630,372)
<i>Total Governmental Activities</i>	<u>\$ 35,728,339</u>	<u>\$ 1,951,929</u>	<u>\$ 2,550,984</u>	<u>\$ 19,317</u>	<u>(31,206,109)</u>

General Revenues

Taxes:	
Property Taxes, Levied for General Purposes	20,986,704
Property Taxes, Levied for Capital Outlay	1,027,391
Property Taxes, Levied for Debt Service	2,048,904
Grants and Entitlements not Restricted to Specific Programs	8,690,407
Gifts and Donations	30,672
Investment Earnings	127,047
Payments in Lieu of Taxes	6,664
Miscellaneous	543,647
<i>Total General Revenues</i>	<u>33,461,436</u>
<i>Change in Net Assets</i>	2,255,327
Net Assets Beginning of Year	4,691,903
<i>Net Assets End of Year</i>	<u>\$ 6,947,230</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	General Fund	Bond Retirement	Building and Construction	Other Governmental Funds	Totals Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,408,818	\$ 2,907,386	\$ 9,255,440	\$ 1,353,561	\$ 14,925,205
Materials and Supplies Inventory				14,426	14,426
Receivables:					
Accounts	92,809			5,540	98,349
Intergovernmental				347,548	347,548
Taxes	21,793,379	2,109,612		1,327,607	25,230,598
Prepaid Items	23,569				23,569
Accrued Interest Receivable	50				50
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	127,901				127,901
Total Assets	\$ 23,446,526	\$ 5,016,998	\$ 9,255,440	\$ 3,048,682	\$ 40,767,646
Liabilities					
Accounts Payable	\$ 159,554		\$ 98,637	\$ 199,526	\$ 457,717
Accrued Wages and Benefits Payable	8			307,904	307,912
Intergovernmental Payable	428,294			49,911	478,205
Matured Compensated Absences Payable	277,279			2,047	279,326
Deferred Revenue	21,020,461	\$ 2,021,647		1,561,036	24,603,144
Total Liabilities	21,885,596	2,021,647	98,637	2,120,424	26,126,304
Fund Balances					
Reserved for Encumbrances	529,683		324,517	752,901	1,607,101
Reserved for Prepaid Items	23,569				23,569
Reserved for Property Taxes	772,918	87,965		41,322	902,205
Reserved for Budget Stabilization	127,901				127,901
Unreserved, Undesignated Reported In					
General Fund	(3,221,213)				(3,221,213)
Special Revenue Funds				1,906	1,906
Debt Service Fund		2,907,386			2,907,386
Capital Projects Funds			8,832,286	132,129	8,964,415
Total Fund Balances	\$ (1,767,142)	\$ 2,995,351	\$ 9,156,803	\$ 928,258	\$ 11,313,270
Total Liabilities and Fund Balances	\$ 20,118,454	\$ 5,016,998	\$ 9,255,440	\$ 3,048,682	\$ 37,439,574

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances		\$ 11,313,270
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		15,668,803
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	274,751	
Property Taxes Receivable	<u>1,210,242</u>	
		1,484,993
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(289,726)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(19,310,000)	
Compensated Absences Payable	<u>(1,920,110)</u>	
		<u>(21,230,110)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 6,947,230</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	General Fund	Bond Retirement	Building and Construction	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$ 20,499,628	\$ 1,975,554		\$ 992,718	\$ 23,467,900
Intergovernmental	8,013,749	219,003		3,178,505	11,411,257
Interest	86,009		\$ 5,440	2,098	93,547
Tuition and Fees	705,816			30,126	735,942
Rent	36,750				36,750
Extracurricular Activities				394,165	394,165
Gifts and Donations	7,399			23,273	30,672
Customer Sales and Services	23,927			711,145	735,072
Payments in Lieu of Taxes	6,165	313		186	6,664
Miscellaneous	531,875			9,827	541,702
<i>Total Revenues</i>	<u>29,911,318</u>	<u>2,194,870</u>	<u>5,440</u>	<u>5,342,043</u>	<u>37,453,671</u>
Expenditures					
Current:					
Instruction:					
Regular	13,743,138			828,057	14,571,195
Special	2,719,633			836,409	3,556,042
Vocational	269,952				269,952
Other	1,894,894			58,145	1,953,039
Support services:					
Pupils	1,305,822			241,313	1,547,135
Instructional Staff	621,058			31,485	652,543
Board of Education	34,533				34,533
Administration	2,425,479	39,698		145,346	2,610,523
Fiscal	557,771			13,624	571,395
Operation and Maintenance of Plant	2,916,212			288,823	3,205,035
Pupil Transportation	1,856,863			27,213	1,884,076
Central	82,327			40,778	123,105
Non-Instructional Services				2,161,035	2,161,035
Extracurricular activities	718,760			436,990	1,155,750
Capital Outlay			98,637	111,411	210,048
Debt Service					
Principal Retirement		1,075,000			1,075,000
Interest and Fiscal Charges		630,372			630,372
Refunding Bond Issue Costs		244,785			244,785
<i>Total Expenditures</i>	<u>29,146,442</u>	<u>1,989,855</u>	<u>98,637</u>	<u>5,220,629</u>	<u>36,455,563</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>764,876</u>	<u>205,015</u>	<u>(93,197)</u>	<u>121,414</u>	<u>998,108</u>
Other Financing Sources (Uses)					
Transfers In				177,073	177,073
General Obligation Bonds Issued		7,050,000	9,250,000		16,300,000
Proceeds from Sale of Fixed Assets	1,945				1,945
Payment to Refunded Bond Escrow Agent		(7,180,342)			(7,180,342)
Premium on Sale of Bonds		375,127			375,127
Transfers Out	(177,073)				(177,073)
Accrued Interest Received on Debt Issuance		33,500			33,500
<i>Total Other Financing Sources (Uses)</i>	<u>(175,128)</u>	<u>278,285</u>	<u>9,250,000</u>	<u>177,073</u>	<u>9,530,230</u>
<i>Net Change in Fund Balance</i>	589,748	483,300	9,156,803	298,487	10,528,338
Fund Balances at Beginning of Year	(2,356,890)	2,512,051		629,771	784,932
<i>Fund Balances at End of Year</i>	<u>\$ (1,767,142)</u>	<u>\$ 2,995,351</u>	<u>\$ 9,156,803</u>	<u>\$ 928,258</u>	<u>\$ 11,313,270</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds \$ 10,528,338

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

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

Capital Outlay - Depreciable Capital Assets	403,924	
Depreciation	<u>(942,556)</u>	(538,632)

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

Property Taxes	595,099	
Charges for Services	50,000	
Intergovernmental	<u>(150,549)</u>	494,550

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

Bond Payments		1,075,000
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Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Bonds Issued		(9,250,000)
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The inception of a capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets.

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

Intergovernmental Payable	(20,584)	
Compensated Absences Payable	<u>(33,345)</u>	<u>(53,929)</u>

<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 2,255,327</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual Comparison (Non-GAAP Basis)
General Fund
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Property and Other Local Taxes	\$ 19,625,000	\$ 19,900,000	\$ 20,314,910	\$ 414,910
Intergovernmental	7,965,500	7,965,500	8,025,928	60,428
Interest	115,000	115,000	85,959	(29,041)
Tuition and Fees	530,000	530,000	633,843	103,843
Rent	50,000	50,000	36,750	(13,250)
Gifts and Donations			7,399	7,399
Customer Sales and Services	10,500	10,500	23,927	13,427
Payments in Lieu of Taxes	12,000	12,000	6,165	(5,835)
Miscellaneous	236,500	236,500	190,325	(46,175)
<i>Total Revenues</i>	<u>28,544,500</u>	<u>28,819,500</u>	<u>29,325,206</u>	<u>505,706</u>
Expenditures				
Current:				
Instruction:				
Regular	13,379,471	13,973,656	13,757,140	216,516
Special	3,031,302	3,031,302	3,142,527	(111,225)
Vocational	260,270	275,270	271,458	3,812
Other	1,541,351	1,541,351	1,851,390	(310,039)
Support Services:				
Pupils	1,280,545	1,280,645	1,360,739	(80,094)
Instructional Staff	636,515	643,465	629,970	13,495
Board of Education	35,400	35,400	34,469	931
Administration	2,420,092	2,418,592	2,355,879	62,713
Fiscal	563,096	562,121	558,204	3,917
Operation and Maintenance of Plant	2,444,393	2,961,253	2,926,091	35,162
Pupil Transportation	1,715,527	1,715,527	1,789,916	(74,389)
Central	75,760	75,760	86,714	(10,954)
Extracurricular Activities	757,860	757,860	740,567	17,293
<i>Total Expenditures</i>	<u>28,141,582</u>	<u>29,272,202</u>	<u>29,505,064</u>	<u>(232,862)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>402,918</u>	<u>(452,702)</u>	<u>(179,858)</u>	<u>272,844</u>
Other Financing Sources and Uses:				
Transfers In	983,620	983,620		(983,620)
Proceeds from Sale of Fixed Assets			1,945	1,945
Refund of Prior Year Expenditures	276,200	276,200	325,080	48,880
Transfers Out	(1,600,000)	(1,600,000)	(177,073)	1,422,927
<i>Total Other Financing Sources and Uses</i>	<u>(340,180)</u>	<u>(340,180)</u>	<u>149,952</u>	<u>490,132</u>
Net Change in Fund Balances	62,738	(792,882)	(29,906)	762,976
Fund Balance (Deficit) at Beginning of Year	789,140	789,140	789,140	
Prior Year Encumbrances Appropriated	210,139	210,139	210,139	
<i>Fund Balance at end of Year</i>	<u>\$ 1,062,017</u>	<u>\$ 206,397</u>	<u>\$ 969,373</u>	<u>\$ 762,976</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 35,846	\$ 76,549
<i>Total Assets</i>	35,846	\$ 76,549
Liabilities		
Undistributed Monies		\$ 76,549
<i>Total Liabilities</i>		\$ 76,549
Net Assets		
Held in Trust for Scholarships	35,846	
<i>Total Net Assets</i>	\$ 35,846	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004**

	Private Purpose Trust
Additions	
Interest	\$ 1,095
Gifts and Donations	525
Deductions	
Payments in Accordance with Trust Agreement	(2,719)
<i>Change in Net Assets</i>	(1,099)
Net Assets at Beginning of Year	36,945
Net Assets at End of Year	\$ 35,846

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1881 through the consolidation of existing land areas and school districts. The District serves an area of approximately 25 square miles. It is located in Lucas County, and includes all of the Village of Holland and portions of the cities of Toledo and Maumee, and Monclova, Spencer, and Springfield Townships. The District is the 117th largest in the State of Ohio, (among 613 school districts) in terms of enrollment. It is staffed by 137 non-certificated employees and 271 certificated full-time teaching personnel who provide services to 3,752 students and other community members. The District currently operates six instructional buildings, one administrative building, and one garage.

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

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

The following activities are included within the reporting entity:

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Springfield Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

Governmental Funds

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

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust, which accounts for a program that provides assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

Government-wide Financial Statements

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

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)

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

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.

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

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 been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits temporary appropriation to be effective until no later than October 1 of each year.)

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

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

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations with a fund, or alter object appropriations within functions within a fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriations.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which reallocated, increased or decreased the original appropriated amounts. The Board legally enacted all supplemental appropriations, during fiscal year 2004.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level, function and/or object level.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year-end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

F. Cash and Investments

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

During fiscal year 2004, investments were limited to government securities and STAR Ohio. Government securities are reported at market value.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$86,009, which includes \$3,440 assigned from other District funds.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

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

I. Restricted Assets

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

J. Capital Assets

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

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

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

K. Interfund Balances

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

L. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences," in conformity with GASB Statement No. 16. The District accrues vacation as earned by its employees if the leave is attributable to past service and it's probable that the District will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. These compensated absences are measured using rates in effect at June 30, 2004.

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Fund Balance Reserves

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

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

P. Interfund Transactions

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

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District

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(Continued)**

and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004.

3. BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance Major Governmental Fund	
	General
GAAP Basis	\$ 589,748
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	604,745
Accrued FY 2004, Not Yet Received in Cash	(1,190,857)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(3,960,914)
Accrued FY 2004, Not Yet Paid in Cash	4,494,718
Prepaid Items	
Encumbrances Outstanding at Year End (Budget Basis)	(567,346)
Budget Basis	\$ (29,906)

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio), and

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For the Year Ended June 30, 2004
(Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating 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 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At fiscal year end, the District had \$5,140 in undeposited cash on hand, which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents." But is not included in the total amount of deposits reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "*Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.*"

Deposits - At fiscal year end, the carrying amount of the District's deposits was \$352,706 and the bank balance was \$581,935. Of the bank balance, \$100,000 was covered by federal depository insurance and \$481,935 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in government Securities, which are Category 2 investments, had a carrying amount and fair value of \$1,022,712 at June 30, 2004. The District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. The District's investment in Star Ohio had a carrying amount and fair value of \$13,784,943 at June 30, 2004.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 15,165,501	\$ -
Cash on Hand	(5,140)	-
Investments:		
STAR Ohio	(13,784,943)	13,784,943
U.S. Government Securities	(1,022,712)	1,022,712
GASB Statement No. 3	\$ 352,706	\$ 14,807,655

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes for 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes for 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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(Continued)**

The District receives property taxes from Lucas County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$772,918 in the General Fund, \$87,965 in the Debt Service Fund, and \$41,322 in the Capital Projects Fund. The amount available as an advance at June 30, 2003, was \$588,200 in the General Fund, \$68,400 in the Debt Service Fund, and \$27,400 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Industrial/Commercial	\$ 156,483,840	23%	\$ 164,236,250	23%
Agricultural/Residential	437,836,180	66%	497,083,180	68%
Public Utility	17,436,250	3%	17,323,810	2%
Tangible Personal	55,159,223	8%	49,296,504	7%
Total Assessed Value	<u>\$ 666,915,493</u>	<u>100%</u>	<u>\$ 727,939,744</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 70.30		\$ 71.10	

6. RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, accounts (rent and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables on the Statement of Net Assets follows:

	Amount
Governmental Activities	
Taxes	\$ 25,230,598
Intergovernmental	347,548
<i>Total Intergovernmental Receivables</i>	<u>\$ 25,578,146</u>

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**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 480,574	\$ -	\$ -	\$ 480,574
<i>Total Nondepreciable Capital Assets</i>	<u>480,574</u>	<u>-</u>	<u>-</u>	<u>480,574</u>
Depreciable Capital Assets				
Land Improvements	955,319	-	-	955,319
Buildings and Building Improvements	26,181,656	-	-	26,181,656
Furniture, Fixtures, and Equipment	4,569,134	370,624	-	4,939,758
Vehicles	2,627,852	33,300	-	2,661,152
<i>Totals</i>	<u>34,333,961</u>	<u>403,924</u>	<u>-</u>	<u>34,737,885</u>
Less Accumulated Depreciation:				
Land Improvements	841,964	28,568	-	870,532
Buildings and Building Improvements	11,828,035	691,439	-	12,519,474
Furniture and Fixtures	3,676,796	147,005	-	3,823,801
Vehicles	2,260,305	75,544	-	2,335,849
<i>Total Accumulated Depreciation</i>	<u>18,607,100</u>	<u>942,556</u>	<u>-</u>	<u>19,549,656</u>
<i>Depreciable Capital Assets, Net</i>	<u>15,726,861</u>	<u>(538,632)</u>	<u>-</u>	<u>15,188,229</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 16,207,435</u>	<u>\$ (538,632)</u>	<u>\$ -</u>	<u>\$ 15,668,803</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 919,455
Special	1,714
Support Services:	
Instructional Staff	638
Administration	524
Operation and Maintenance of Plant	5,910
Pupil Transportation	10,644
Non-Instruction	3,406
Extracurricular	265
<i>Total Depreciation Expense</i>	<u>\$ 942,556</u>

8. RESTRICTED ASSETS

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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For the Year Ended June 30, 2004
(Continued)**

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District's insurance coverage was as follows:

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

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

For fiscal year 2004, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Springfield School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the

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School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$756,382, \$681,826, and \$528,338, respectively; 55 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing D Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,162,066, \$2,009,045, and \$2,058,941, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002.

11. POSTEMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004 and June 30, 2003, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit and disability and survivor benefit recipients.

Effective January 1, 2004 all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91 percent. In

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For the Year Ended June 30, 2004
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addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of benefit recipients currently receiving health care benefits is approximately 62,500.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .35072, then adding the surcharge due as of June 30, 2004, as certified to your district by SERS.

12. EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. At June 30, 2004, a liability of \$53,643 has been provided in the General Fund and special revenue funds for earned, but used vacation leave that will be paid to the employees.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. Sick leave may be accumulated up to a maximum of 240 days for classified personnel, 260 days for administrators, and 240 days for certified personnel. Upon retirement, payment is made for up to 30 percent of accrued, but unused sick leave credit to a maximum of 72 days for classified employees, 75 days for certified employees, and 81.25 days for administrators. Upon retirement, payment is made for up to 31.25 percent of accrued, but unused sick leave credit to a maximum of 81.25 days for administrative employees. At June 30, 2004, a current liability of \$225,683 has been provided in the General Fund for earned, but unused sick leave that will be paid to the employees.

The District has recorded an estimated liability of \$1,920,110 for severance pay and sick leave payable at June 30, 2004, in accordance with GASB No. 16, "Accounting for Compensated Absences." The amount has been recorded in the Government Wide Basic Financial Statements since the liability will not require the use of current expendable available financial resources.

B. Life Insurance

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

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13. LONG-TERM OBLIGATIONS

General Obligation Bonds

Debt Outstanding at June 30, 2004 consisted of the following:

	School Improvement Bonds
General Obligation Bonds	
Principal Outstanding	\$19,310,000
Interest Rate	2.00 % to 6.125%

These bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property of the government.

During the fiscal year ended June 30, 2004, the following changes occurred in the long-term obligations reported in the Government-Wide Financial Statements:

	Issue	Due	Rate	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04	Amounts Due in One Year
General Obligation Bonds:								
School Improvement Refunding	2004	2024	2.00%-6.125%		\$ 16,300,000		\$ 16,300,000	\$ 475,000
School Improvement Bonds	1987	2010	6.13%	\$ 3,440,000		\$ 430,000	3,010,000	430,000
School Improvement Bonds	1992	2014	6.23%	7,695,000		7,695,000		
<i>Total GO Bonds</i>				11,135,000	16,300,000	8,125,000	19,310,000	905,000
Other Long Term Obligations								
SERS and SERS Surcharge				269,142	289,726	269,142	289,726	289,726
Compensated Absences				1,886,765	1,920,110	1,886,765	1,920,110	265,930
Total Other Long Term Obligations				2,155,907	2,209,836	2,155,907	2,209,836	555,656
Total Government Activities				\$ 13,290,907	\$ 18,509,836	\$ 10,280,907	21,519,836	\$ 1,460,656
Less: Unamortized deferred charge on refunding							(244,785)	
Add: Unamortized Premium on Refunding							375,127	
<i>Total on Statement of Net Assets</i>							\$ 21,650,178	

Debt outstanding at June 2004 consisted of General Obligation School Improvement Refunding Bonds totaling \$16,300,000. The bonds were issued in June 2004 and will mature in December 2024. The interest rate at June 30, 2004 was 2.00 percent to 6.125 percent for the general obligation bonds.

On June 9, 2004, the District issued general obligation bonds (Series 2004 School Improvement Refunding Bonds) to currently refund the callable portion of the School Improvement General Obligation Bonds (principal \$7,050,000; interest rate 4.35 percent) and are included as part of the \$16,300,000 bond issue. The refunded debt is considered defeased and accordingly; has been removed from the statement of net assets.

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

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

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For the Year Ended June 30, 2004
(Continued)**

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

The scheduled payments of principal and interest requirements on debt outstanding at June 30, 2004, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 905,000	\$ 804,516	\$ 1,709,516
2006	1,330,000	764,428	2,094,428
2007	1,390,000	717,091	2,107,091
2008	1,415,000	665,210	2,080,210
2009	1,440,000	608,916	2,048,916
2010-2014	6,475,000	2,168,079	8,643,079
2015-2019	2,645,000	1,269,681	3,914,681
2020-2024	3,010,000	593,881	3,603,881
2025	700,000	18,375	718,375
Totals	<u>\$ 19,310,000</u>	<u>\$ 7,610,177</u>	<u>\$ 26,920,177</u>

14. SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital acquisition, and budget stabilization during fiscal year 2004.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Balance June 30, 2003	\$ (219,585)		\$ 127,901
Current Year Set Aside Requirement	529,940	\$ 529,940	
Current Year Offset		(627,000)	
Qualifying Expenditures	(533,147)	(530,134)	
Balance June 30, 2004	<u>\$ (222,792)</u>	<u>\$ (627,194)</u>	<u>\$ 127,901</u>
Amount Carried Forward to Fiscal Year 2005	<u>\$ (222,792)</u>		<u>\$ 127,901</u>
Cash Balance at June 30, 2004			<u>\$ 127,901</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero in the capital acquisition. Although the District may have had additional offsets and qualifying disbursements during the year, these extra amounts

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

may not be used to reduce the set-aside requirements of future years, and therefore, are not presented.

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

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

B. Penta County Career Center

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

16. INSURANCE POOLS

A. OSBA Workers' Compensation Group Rating Plan

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

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

The Springfield Local School District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (NOEC Program), an insurance purchasing pool. The NOEC Program is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The Northwest Ohio Educational Council (NWOEC) is a Council of Governments created pursuant to Chapter 167.01 of the Ohio Revised Code. The NOEC Program is a non-profit organization of its members and an instrumentality for each member for the purpose of enabling members of the NOEC Program to provide for a formalized, joint

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The NOEC Program's business and affairs are conducted by a 9 member Insurance Committee created by the governing board of the NWOEC. The NOEC Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc for claims processing.

17. SCHOOL FOUNDATION PROGRAM

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

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

18. INTERFUND TRANSFERS

During the year ended June 30, 2004, the General Fund transferred \$177,073 to Other Non-major Governmental Funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

19. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

B. Litigation

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

20. CORRECTION OF AN ERROR

During fiscal year 2004, it was determined that Accrued Wages and Benefits Payable as of June 30, 2003 was understated by \$2,351,033. This correction resulted in the following change to the beginning fund balance and net assets:

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2004
(Continued)**

	General Fund	Bond Retirement Fund	Building and Construction Fund	Other Governmental Funds	Net Assets
Fund Balance/Net Assets at June 30, 2003	\$ (191,687)	\$ 2,512,051	\$ -	\$ 815,601	\$ 7,042,936
Error Correction	<u>(2,165,203)</u>	<u>-</u>	<u>-</u>	<u>(185,830)</u>	<u>(2,351,033)</u>
Restated Fund Balance/Net Assets at July 1, 2003	<u>\$ (2,356,890)</u>	<u>\$ 2,512,051</u>	<u>\$ -</u>	<u>\$ 629,771</u>	<u>\$ 4,691,903</u>

21. SUBSEQUENT EVENTS

In December 2004 the School District approved contracts in the amount of \$4,352,600 for renovations to some of its buildings to be paid from the School Improvement Bonds Issued in 2004.

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**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program		10.550
School Breakfast Program	05-PU 2003&2004	10.553
National School Lunch Program	LLP4 2003&2004	10.555
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Special Education Grants to States (IDEA Part B)	6BSF 2003 & 2004	84.027
Grants to Local Educational Agencies (ESEA Title I)	C1S1 2002 & 2003	84.010
Safe and Drug-Free Schools Grant	DRS1 2003, 2004	84.186
Eisenhower Professional Development Goals 2000	MSS1-2000 G2S8-2000	84.281 84.276
Innovative Educational Program Strategies	C2S1 2003 & 2004	84.298
Educational Technology State Grants	TJS1 2003 & 2004	84.318
School Renovation Grants Assistive Technology Infusion Project	ATS2, ATS3 2002	84.352A
Improving Teacher Quality State Grants	TRS1 2003 & 2004	84.367
Total Department of Education		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>		
Title XIX Medical Assistance Community Alternative Funding System		93.778
Total Federal Awards Expenditures		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 33,166		\$ 33,166
\$ 29,193		\$ 29,193	
259,730		259,730	
<u>288,923</u>	<u>33,166</u>	<u>288,923</u>	<u>33,166</u>
636,849		667,669	
465,363		519,744	
17,331		12,420	
-		2,629	
-		99	
43,070		30,448	
6,695		6,426	
-		3,144	
219,529		249,080	
<u>1,388,837</u>		<u>1,491,659</u>	
40,285		40,285	
<u>\$ 1,718,045</u>	<u>\$ 33,166</u>	<u>\$ 1,820,867</u>	<u>\$ 33,166</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
Fiscal Year Ended June 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Springfield Local School District
Lucas County
6900 Hall Street
Holland, Ohio 43528-9386

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 (the School District) as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the School District's management in a separate letter dated March 16, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the School District in a separate letter dated March 16, 2005.

This report is intended for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 16, 2005



**Auditor of State
Betty Montgomery**

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

Springfield Local School District
Lucas County
6900 Hall Street
Holland, Ohio 43528-9386

To the Board of Education:

Compliance

We have audited the compliance of Springfield Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School District in a separate letter dated March 16, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 16, 2005.

This report is intended for the information and use of the management, the Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

March 16, 2005

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2004**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<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 weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States (IDEA Part B) CFDA #84.027
<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**

FINDING 2004-001

Reportable Condition - Capital Assets

Testing of the School District's capital assets records disclosed the following deficiencies:

- The Inventories (Fixed Asset) Policy is lacking detail as to the process and procedures needed in the reporting of capital assets.
- The School District does not use the NWOCA Equipment Inventory System (EIS) for the tracking of capital assets and related depreciation. The last updated capital asset record showing any detail of the District's capital assets was June 30, 2001.

**FINDING 2004-001
(Continued)**

- Since June 30, 2001 the School District has manually updated the capital asset balances and accumulated depreciation. The last update by the outside vendor at June 30, 2001 reported Capital Assets at net in the amount of \$16,119,710. Since June 30, 2001 additions and accumulated depreciation have been manually updated to the present June 30, 2004 balance of \$15,188,229. Resulting in a decrease of capital assets in the amount of \$931,481 that is not supported by any capital asset records.
- In 2004 acquisitions tested that met the capitalization criteria were not included as additions to capital assets amounted to \$121,576.
- No attempt was made to record disposals and the affect on the depreciation expense. In 2004 the District reported sale of assets and compensation for the loss of assets in the amount of \$8,381. It cannot be determine the effect of these assets within the reported capital asset balance.
- Total depreciation expense amounted to \$942,556. There is no policy regarding the manner depreciation expense should be allocated. The allocation of depreciation expense charged to a function, other than Regular Instruction, was determined from the current year additions amounted to \$23,101. The remaining depreciation expense, amounting to \$919,455 was charged to Regular Instruction. This allocation method did not have an overall material effect in the presentation of the expenses reported at the function level on the Statement of Activities.

Failure to employ adequate controls over the processing and recording of capital asset additions, deletions, transfers, and depreciation could result in the possible misappropriation of assets going undetected and misrepresentation of the School District's capital assets value on the financial statements. To maintain adequate safeguards over capital assets, and to reduce the risk of misstatement, we recommend the School District:

- Perform a review of the current Inventory (Fixed Asset) Policy. The following should be considered: written procedures required to update additions, deletions, useful life and depreciation method and the function to which the asset is assigned.
- Consider implementation of the NWOCA Equipment Inventory System (EIS) to allow for the updating and maintenance of the capital asset records on-line.
- Maintain documentation for changes in capital assets acquisitions, deletions, depreciation, and any other corrections. The documentation should be reviewed for accuracy and completeness.
- Review the district's expenditure ledger for possible additions that did not get included in the fixed asset accounting system, and review for items that did get included and should not have been.
- Utilize disposition forms to provide consistency and support in the reporting of capital assets dispositions.
- An allocation method should be determined for the posting of depreciation expense to the function (i.e. regular, special instruction) that the capital asset serves.

FINDING NUMBER 2004-002

Reportable Condition - Student Activities

Student activity funds consist of programs in which students participate and manage. Successful operation of such programs is dependent upon the formulation of sound policy and effective guidelines. Sales Project Forms (the Form) were not used to monitor fund raising activities. Also, not all supporting records pertaining to the student fundraising activities were retained by the Student Activity Advisors (the Advisors).

**FINDING 2004-002
(Continued)**

To strengthen internal controls, provide management with a profit measurement tool, and to prevent errors, irregularities, or misappropriation of assets from occurring and going undetected, we recommend the following per the Auditor of State Student Activity Guidelines:

- District management should compare their Student Activity Handbook with the Auditor of State's *Guidelines for Developing Policies for Student Activity Programs*, available at www.auditor.state.oh.us /Publications/Manuals and Handbooks. The District should update their handbook if it does not address significant items in the Auditor of State's publication.
- Student activity advisors should review the School Districts' Student Activity Handbook and related Board policies addressing the proper accounting and required documentation for student activity funds. Acknowledgment noting review and understanding of such policies from all advisors should be obtained and kept on file each year. This could be turned in with the student activity budgets submitted by advisors before each fiscal year.
- Instructions for proper completion of the Forms should be provided to the Advisor by the Treasurer.
- The Forms should be completed for all student activities by the Advisor. The top portion should be completed, reviewed, and approved prior to commencing the fundraising activity. The Form should be updated with quantity of goods ordered/sold, cost per unit, and proposed sales price. Upon completion of the activity, the bottom portion of the form should be completed with signature and information as to final purchase amount(s), returns, and total amount deposited with the Treasurer. The Advisors should retain all records supporting fundraising activities.
- Management should review and reconcile the student activity financial accounts/records to the completed Forms to ensure completeness of the fundraising activity. If such Forms are determined to be completed in error they should be investigated and corrected

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Prior Audit Findings
June 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Failure to employ adequate controls over the processing and recording of capital assets additions, deletions, depreciations	No	Not corrected. Repeated as finding 2004-001.
2003-002	Student Activities Sales Project Potential Forms were not used. Supporting documents for sales were not retained by the Advisors	No	Partially corrected. Sales Potential Forms are being implemented in Fiscal Year 2005. Repeated as Finding 2004-002.



**Auditor of State
Betty Montgomery**

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SPRINGFIELD LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 12, 2005**