



**Auditor of State  
Betty Montgomery**



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Springfield Local School District  
Mahoning County  
11335 Youngstown-Pittsburgh Road  
P. O. Box 549  
New Middletown, OH 44442

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, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, Mahoning County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective 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.

As described in Note 3, during the year ended June 30, 2004, The District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, 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 opine on the financial statements that collectively comprise the 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

May 5, 2005

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The management's discussion and analysis of the Springfield Local School District's (the "District") 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$81,940 which represents a 2.73% decrease from 2003.
- General revenues accounted for \$8,806,483 in revenue or 88.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,185,128 or 11.86% of total revenues of \$9,991,611.
- The District had \$10,073,551 in expenses related to governmental activities; \$1,185,128 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,806,483 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$8,299,823 in revenues and other financing sources and \$8,179,365 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance increased \$120,458 from \$401,871 to \$522,329.
- The District's bond retirement fund had \$405,546 in revenues and \$347,649 in expenditures. During fiscal year 2004, the bond retirement fund's fund balance increased \$57,897 from \$647,651 to \$705,548.

**Using these Basic Financial Statements**

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the 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, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the 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 Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-46 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 6,702,293
Capital assets	<u>5,626,884</u>
Total assets	<u>12,329,177</u>
<b><u>Liabilities</u></b>	
Current liabilities	5,260,200
Long-term liabilities	<u>4,150,552</u>
Total liabilities	<u>9,410,752</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	2,245,731
Restricted	795,749
Unrestricted (deficit)	<u>(123,055)</u>
Total net assets	<u>\$ 2,918,425</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$2,918,425. Of this total, \$795,749 is restricted in use.

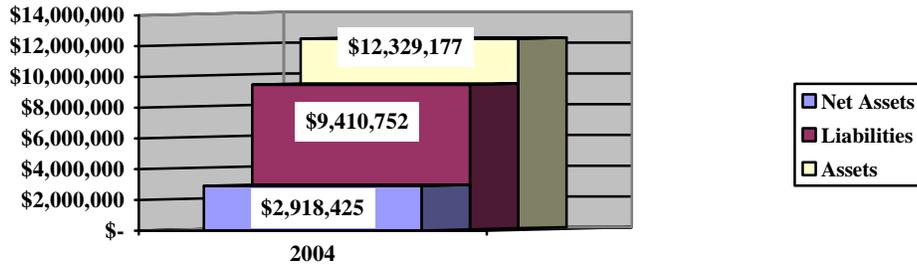
At year-end, capital assets represented 45.64% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$2,245,731. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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A portion of the District's net assets, \$795,749, represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets of \$123,055 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2004
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 445,483
Operating grants and contributions	694,440
Capital grants and contributions	45,205
General revenues:	
Property taxes	2,701,520
School district income taxes	1,237,281
Grants and entitlements	4,736,653
Investment earnings	19,666
Other	111,363
Total revenues	<u>9,991,611</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 4,538,256
Special	635,801
Vocational	170,006
Other	6,777
Support services:	
Pupil	329,499
Instructional staff	374,388
Board of education	12,402
Administration	1,189,768
Fiscal	266,002
Business	625
Operations and maintenance	889,331
Pupil transportation	492,678
Central	54,042
Food service operations	457,326
Operations of non-instructional services	4,064
Extracurricular activities	495,562
Intergovernmental	4,126
Interest and fiscal charges	<u>152,898</u>
Total expenses	<u>10,073,551</u>
Change in net assets	(81,940)
Net assets at beginning of year	<u>3,000,365</u>
Net assets at end of year	<u><u>\$ 2,918,425</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$81,940. Total governmental expenses of \$10,073,551 were offset by program revenues of \$1,185,128 and general revenues of \$8,806,483. Program revenues supported 11.76% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 86.83% of total governmental revenue.

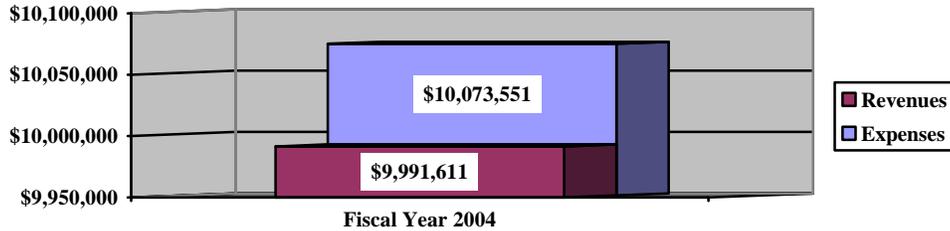
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,350,840 or 53.12% of total governmental expenses for fiscal 2004.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

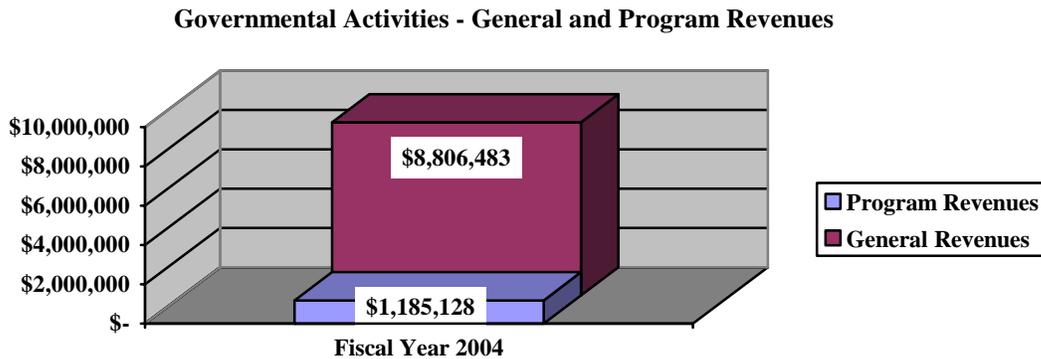
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program expenses</b>		
Instruction:		
Regular	\$ 4,538,256	\$ 4,376,231
Special	635,801	380,811
Vocational	170,006	170,006
Other	6,777	1,047
Support services:		
Pupil	329,499	200,412
Instructional staff	374,388	348,783
Board of education	12,402	12,402
Administration	1,189,768	1,184,988
Fiscal	266,002	253,522
Business	625	625
Operations and maintenance	889,331	889,331
Pupil transportation	492,678	492,678
Central	54,042	39,385
Food service operations	457,326	35,296
Operations of non-instructional services	4,064	3,469
Extracurricular activities	495,562	343,786
Intergovernmental	4,126	2,753
Interest and fiscal charges	152,898	152,898
<b>Total expenses</b>	<b><u>\$ 10,073,551</u></b>	<b><u>\$ 8,888,423</u></b>

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The dependence upon tax and other general revenues for governmental activities is apparent, 92.10% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.24%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,305,115, which is higher than last year's total of \$1,191,039. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase (Decrease)	Percentage Change
General	\$ 522,329	\$ 401,871	\$ 120,458	29.97 %
Bond Retirement	705,548	647,651	57,897	8.94 %
Other Governmental	<u>77,238</u>	<u>141,517</u>	<u>(64,279)</u>	(45.42) %
Total	<u>\$ 1,305,115</u>	<u>\$ 1,191,039</u>	<u>\$ 114,076</u>	9.58 %

**General Fund**

The District's general fund balance increased \$120,458 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to several items related to increasing revenues and decreased expenditures. Revenues exceed expenditures for fiscal year 2004 by \$132,575. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,511,865	\$ 3,423,916	\$ 87,949	2.57 %
Earnings on investments	19,666	38,465	(18,799)	(48.87) %
Intergovernmental	4,692,974	4,623,090	69,884	1.51 %
Other revenues	<u>75,225</u>	<u>75,339</u>	<u>(114)</u>	<u>(0.15) %</u>
Total	<u>\$ 8,299,730</u>	<u>\$ 8,160,810</u>	<u>\$ 138,920</u>	<u>1.70 %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 4,663,745	\$ 4,809,843	\$ (146,098)	(3.04) %
Support services	3,271,624	3,464,960	(193,336)	(5.58) %
Extracurricular activities	191,185	193,533	(2,348)	(1.21) %
Facilities acquisition and construction	<u>40,601</u>	<u>249,193</u>	<u>(208,592)</u>	<u>(83.71) %</u>
Total	<u>\$ 8,167,155</u>	<u>\$ 8,717,529</u>	<u>\$ (550,374)</u>	<u>(6.31) %</u>

***Bond Retirement Fund***

The District's bond retirement fund had \$405,546 in revenues and \$347,649 in expenditures. During fiscal year 2004, the bond retirement fund's fund balance increased \$57,897 from \$647,651 to \$705,548.

***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 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,111,799 and final budgeted revenues and other financing sources were \$8,098,691. Actual revenues and other financing sources for fiscal 2004 was \$8,308,177. This represents a \$209,486 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,986,331 were decreased to \$8,973,222 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$8,332,306, which was \$640,916 less than the final budget appropriations.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2004, the District had \$5,626,884 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 99,230	\$ 99,230
Land improvements	1,533,377	120,855
Building and improvements	3,654,748	3,446,338
Furniture and equipment	122,950	167,369
Vehicles	216,579	275,229
Construction in progress	-	1,872,504
Total	<u>\$ 5,626,884</u>	<u>\$ 5,981,525</u>

The overall decrease in capital assets of \$354,641 is due to depreciation expense of \$403,713 exceeding capital outlays of \$49,072 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2004, the District had \$2,289,996 in general obligation bonds and \$1,091,157 in lease purchase agreements outstanding. Of this total, \$320,756 is due within one year and \$3,060,397 is due within greater than one year. The following table summarizes the bonds and lease purchase agreements outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
	General obligation bonds	\$ 2,289,996
Lease purchase agreements	1,091,157	1,148,900
Total	<u>\$ 3,381,153</u>	<u>\$ 3,683,896</u>

At June 30, 2004, the District's overall legal debt margin was \$8,827,766, and an unvoted debt margin of \$115,691.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Current Financial Related Activities**

Overall, the District is financially strong. As the preceding information shows, the District relies heavily upon property taxes, income taxes, and grants and entitlements. On November 2, 2004, the school district income tax was renewed for a period of five years, beginning January 1, 2005. This tax revenue, along with the District's cash balance, should provide the District with the necessary funds to meet its operating expenses for at least the next three fiscal years. However, the future financial stability of the District is not without challenges.

Since the District relies on the State for approximately 60% of the general operating revenues, one of the largest challenges facing the District is that of State funding. The five year forecast anticipates a modest increase of 2% in unrestricted grants-in-aid from the State. This would seem to be a reasonable and, in fact, a conservative estimate based on past history. However, it is by no means assured given the political climate and the current status of overall State funding.

The next challenge facing the District is the rapid decline in enrollment over the past several years, especially if these declines continue. The five year forecast has assumed that the enrollment will remain constant, and every indication (for example: the number of new housing developments within the District) is that we should stabilize at no lower than current levels. The District has thus far been able to manage the decline in enrollment by aggressively adjusting the certified and classified staffing levels as necessary. Should enrollment continue to decline, this will become increasingly more difficult as further reductions would entail that the District consider program reductions and negotiate changes to current labor contracts.

On a more positive note, in addition to the recent renewal of the income tax, the District entered into new labor agreements with both the Springfield Local Classroom Teachers Association and the Springfield Local Classified Employees' Association. These agreements are for a period of three years ending on August 31, 2007. Significant changes were agreed on in the areas of staffing and insurance without which the District would not have been able to forecast with such optimism. The District considers its strong and trusting relationship between its Board, administrators, and all employees to be its most valuable asset.

In conclusion, the District's system of budgeting and internal controls is well regarded. All of the District's financial abilities and experience will be needed to meet the financial challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Edward N. Sobnosky, Treasurer, Springfield Local School District, Box AK 11335, Youngstown-Pittsburg Road, New Middletown, Ohio 44442.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 1,763,762
Receivables:	
Taxes . . . . .	4,861,422
Accounts . . . . .	5,421
Intergovernmental . . . . .	34,739
Accrued interest . . . . .	43
Prepayments . . . . .	24,355
Materials and supplies inventory . . . . .	12,551
Capital assets:	
Land . . . . .	99,230
Depreciable capital assets, net . . . . .	5,527,654
Capital assets, net. . . . .	5,626,884
 Total assets. . . . .	 12,329,177
<b>Liabilities:</b>	
Accounts payable. . . . .	1,618
Accrued wages and benefits . . . . .	789,615
Pension obligation payable. . . . .	196,501
Intergovernmental payable . . . . .	48,837
Deferred revenue . . . . .	4,212,225
Accrued interest payable . . . . .	11,404
Long-term liabilities:	
Due within one year. . . . .	439,033
Due within more than one year . . . . .	3,711,519
 Total liabilities . . . . .	 9,410,752
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,245,731
Restricted for:	
Capital projects . . . . .	27,810
Debt service. . . . .	726,653
Other purposes . . . . .	41,286
Unrestricted (deficit) . . . . .	(123,055)
 Total net assets . . . . .	 \$ 2,918,425

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,538,256	\$ 35,992	\$ 93,308	\$ 32,725
Special . . . . .	635,801	-	254,990	-
Vocational . . . . .	170,006	-	-	-
Other . . . . .	6,777	-	5,730	-
Support services:				
Pupil. . . . .	329,499	-	129,087	-
Instructional staff. . . . .	374,388	-	25,605	-
Board of education . . . . .	12,402	-	-	-
Administration. . . . .	1,189,768	-	4,780	-
Fiscal. . . . .	266,002	-	-	12,480
Business. . . . .	625	-	-	-
Operations and maintenance . . . . .	889,331	-	-	-
Pupil transportation. . . . .	492,678	-	-	-
Central . . . . .	54,042	-	14,657	-
Operation of non-instructional services:				
Food service operations . . . . .	457,326	257,715	164,315	-
Other non-instructional services . . . . .	4,064	-	595	-
Extracurricular activities. . . . .	495,562	151,776	-	-
Intergovernmental pass-through. . . . .	4,126	-	1,373	-
Interest and fiscal charges . . . . .	152,898	-	-	-
<b>Total governmental activities . . . . .</b>	<b>\$ 10,073,551</b>	<b>\$ 445,483</b>	<b>\$ 694,440</b>	<b>\$ 45,205</b>

**General Revenues:**

Property taxes levied for:

- General purposes . . . . .
- Debt service. . . . .
- Capital projects . . . . .
- School district income tax . . . . .
- Grants and entitlements not restricted to specific programs. . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues. . . . .

Change in net assets . . . . .

**Net assets at beginning of year (restated) .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense)  
Revenue and  
Changes in  
Net Assets**

---

**Governmental  
Activities**

---

\$	(4,376,231)
	(380,811)
	(170,006)
	(1,047)
	(200,412)
	(348,783)
	(12,402)
	(1,184,988)
	(253,522)
	(625)
	(889,331)
	(492,678)
	(39,385)
	(35,296)
	(3,469)
	(343,786)
	(2,753)
	<u>(152,898)</u>
	<u>(8,888,423)</u>
	2,240,910
	358,253
	102,357
	1,237,281
	4,736,653
	19,666
	111,363
	<u>8,806,483</u>
	(81,940)
	<u>3,000,365</u>
\$	<u><u>2,918,425</u></u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 854,147	\$ 705,548	\$ 109,539	\$ 1,669,234
Receivables:				
Taxes . . . . .	4,317,191	423,291	120,940	4,861,422
Accounts . . . . .	5,002	-	419	5,421
Intergovernmental . . . . .	-	-	34,739	34,739
Accrued interest . . . . .	43	-	-	43
Prepayments . . . . .	24,355	-	-	24,355
Materials and supplies inventory . . . . .	-	-	12,551	12,551
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	94,528	-	-	94,528
Total assets . . . . .	<u>\$ 5,295,266</u>	<u>\$ 1,128,839</u>	<u>\$ 278,188</u>	<u>\$ 6,702,293</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ -	\$ 1,618	\$ 1,618
Accrued wages and benefits . . . . .	733,450	-	56,165	789,615
Compensated absences payable . . . . .	42,121	-	-	42,121
Pension obligation payable. . . . .	125,772	-	2,852	128,624
Intergovernmental payable. . . . .	44,959	-	3,878	48,837
Deferred revenue. . . . .	3,826,635	423,291	136,437	4,386,363
Total liabilities . . . . .	<u>4,772,937</u>	<u>423,291</u>	<u>200,950</u>	<u>5,397,178</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	27,514	-	5,096	32,610
Reserved for materials and supplies inventory. . . . .	-	-	12,551	12,551
Reserved for prepayments . . . . .	24,355	-	-	24,355
Reserved for debt service. . . . .	-	705,548	-	705,548
Reserved for BWC refunds. . . . .	57,162	-	-	57,162
Reserved for school bus purchases. . . . .	37,366	-	-	37,366
Unreserved, undesignated, reported in:				
General fund . . . . .	375,932	-	-	375,932
Special revenue funds. . . . .	-	-	37,811	37,811
Capital projects funds. . . . .	-	-	21,780	21,780
Total fund balances . . . . .	<u>522,329</u>	<u>705,548</u>	<u>77,238</u>	<u>1,305,115</u>
Total liabilities and fund balances . . . . .	<u>\$ 5,295,266</u>	<u>\$ 1,128,839</u>	<u>\$ 278,188</u>	<u>\$ 6,702,293</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$ 1,305,115
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,626,884
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 158,641	
Intergovernmental revenue	<u>15,497</u>	
Total		174,138
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	707,278	
Pension obligation payable	67,877	
Early retirement incentive	20,000	
Lease purchase agreement obligation	1,091,157	
General obligation bonds payable	2,289,996	
Accrued interest payable	<u>11,404</u>	
Total		<u>(4,187,712)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 2,918,425</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,511,865	\$ 361,867	\$ 103,390	\$ 3,977,122
Earnings on investments. . . . .	19,666	-	-	19,666
Charges for services. . . . .	-	-	257,715	257,715
Extracurricular. . . . .	-	-	151,776	151,776
Classroom materials and fees . . . . .	31,025	-	3,556	34,581
Other local revenues. . . . .	44,200	-	68,481	112,681
Intergovernmental - Intermediate . . . . .	-	-	2,800	2,800
Intergovernmental - State. . . . .	4,692,974	43,679	128,826	4,865,479
Intergovernmental - Federal . . . . .	-	-	630,656	630,656
Total revenue . . . . .	<u>8,299,730</u>	<u>405,546</u>	<u>1,347,200</u>	<u>10,052,476</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,129,390	-	163,968	4,293,358
Special. . . . .	365,221	-	265,746	630,967
Vocational. . . . .	169,134	-	-	169,134
Other. . . . .	-	-	6,777	6,777
Support services:				
Pupil. . . . .	193,251	-	129,087	322,338
Instructional staff . . . . .	328,102	-	36,433	364,535
Board of education . . . . .	12,402	-	-	12,402
Administration. . . . .	1,136,721	-	9,232	1,145,953
Fiscal . . . . .	242,308	6,673	1,906	250,887
Business . . . . .	625	-	-	625
Operations and maintenance. . . . .	877,274	-	-	877,274
Pupil transportation . . . . .	449,279	-	431	449,710
Central. . . . .	31,662	-	17,257	48,919
Food service operations . . . . .	-	-	455,982	455,982
Operation of non-instructional services . . . . .	-	-	4,064	4,064
Extracurricular activities. . . . .	191,185	-	204,041	395,226
Facilities acquisition and construction . . . . .	40,601	-	8,471	49,072
Intergovernmental pass through . . . . .	-	-	4,126	4,126
Debt service:				
Principal retirement . . . . .	-	245,000	57,743	302,743
Interest and fiscal charges . . . . .	-	95,976	58,425	154,401
Total expenditures . . . . .	<u>8,167,155</u>	<u>347,649</u>	<u>1,423,689</u>	<u>9,938,493</u>
Excess of revenues over (under) expenditures. . . . .	<u>132,575</u>	<u>57,897</u>	<u>(76,489)</u>	<u>113,983</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	12,210	12,210
Transfers (out) . . . . .	(12,210)	-	-	(12,210)
Proceeds from sale of capital assets. . . . .	93	-	-	93
Total other financing sources (uses) . . . . .	<u>(12,117)</u>	<u>-</u>	<u>12,210</u>	<u>93</u>
Net change in fund balances . . . . .	120,458	57,897	(64,279)	114,076
<b>Fund balances at beginning of year (restated) . . . . .</b>	<u>401,871</u>	<u>647,651</u>	<u>141,517</u>	<u>1,191,039</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 522,329</u>	<u>\$ 705,548</u>	<u>\$ 77,238</u>	<u>\$ 1,305,115</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	114,076
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$403,713) exceeds capital outlays (\$49,072) in the current period.		(354,641)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(60,958)
Repayment of bond and lease purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		302,743
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,503
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(84,663)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(81,940)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,335,143	\$ 3,329,754	\$ 3,513,670	\$ 183,916
Tuition. . . . .	3,239	3,234	-	(3,234)
Earnings on investments. . . . .	24,039	24,000	19,682	(4,318)
Classroom materials and fees . . . . .	30,049	30,000	31,025	1,025
Other local revenues . . . . .	2,088	2,085	6,950	4,865
Intergovernmental - State . . . . .	4,708,068	4,700,460	4,692,974	(7,486)
Total revenue . . . . .	<u>8,102,626</u>	<u>8,089,533</u>	<u>8,264,301</u>	<u>174,768</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,167,265	4,161,186	4,225,175	(63,989)
Special. . . . .	440,979	440,336	385,338	54,998
Vocational. . . . .	160,949	160,714	168,979	(8,265)
Support services:				
Pupil. . . . .	238,892	238,544	198,201	40,343
Instructional staff . . . . .	359,339	358,815	333,163	25,652
Board of education . . . . .	12,278	12,260	12,402	(142)
Administration. . . . .	1,268,986	1,267,135	1,194,782	72,353
Fiscal . . . . .	240,506	240,155	244,790	(4,635)
Business . . . . .	675	674	625	49
Operations and maintenance. . . . .	865,962	864,699	873,738	(9,039)
Pupil transportation . . . . .	481,336	480,634	415,094	65,540
Central. . . . .	33,416	33,367	31,662	1,705
Extracurricular activities. . . . .	196,153	195,867	191,948	3,919
Facilities acquisition and construction. . . . .	459,676	459,005	44,199	414,806
Total expenditures . . . . .	<u>8,926,412</u>	<u>8,913,391</u>	<u>8,320,096</u>	<u>593,295</u>
Excess of revenues over (under) expenditures. . . . .	<u>(823,786)</u>	<u>(823,858)</u>	<u>(55,795)</u>	<u>768,063</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	-	-	35,125	35,125
Transfers (out) . . . . .	(51,075)	(51,000)	(12,210)	38,790
Advances in. . . . .	8,672	8,658	8,658	-
Advances (out) . . . . .	(8,844)	(8,831)	-	8,831
Proceeds from sale of capital assets. . . . .	501	500	93	(407)
Total other financing sources (uses) . . . . .	<u>(50,746)</u>	<u>(50,673)</u>	<u>31,666</u>	<u>82,339</u>
Net change in fund balance . . . . .	(874,532)	(874,531)	(24,129)	850,402
<b>Fund balance at beginning of year. . . . .</b>	861,845	861,845	861,845	-
<b>Prior year encumbrances appropriated . . . . .</b>	83,445	83,445	83,445	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 70,758</u>	<u>\$ 70,759</u>	<u>\$ 921,161</u>	<u>\$ 850,402</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 22,256
Total assets. . . . .	\$ 22,256
<b>Liabilities:</b>	
Due to others. . . . .	\$ 2,498
Due to students . . . . .	19,758
Total liabilities . . . . .	\$ 22,256

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Springfield Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 36 square miles in Mahoning County, including all of the village of New Middletown and portions of surrounding townships.

The District is the 433<sup>rd</sup> largest in the State of Ohio (among 613 public school districts) in terms of enrollment. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District is staffed by 36 non-certificated and 82 certificated personnel to provide services to approximately 1,230 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool 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; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a jointly governed organization among 22 school districts and 2 county educational service centers. ACCESS was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge dependent upon the software package utilized. ACCESS is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in ACCESS. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio 44512.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Bond Retirement Fund* - A fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation which is levied for debt charges on bonds or loans, shall be paid into this fund.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds to account for District agency services and student activities.

**C. Basis of Presentation and Measurement Focus**

*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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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, interest, tuition, grants, student fees and rentals.

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental 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 of the preceding year, the Superintendent and Treasurer submit 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 Mahoning 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 budget figures, as shown in the accompanying 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 level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

The District has invested funds in STAR Ohio during fiscal 2004. 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$19,666, which includes \$9,266 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities 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 are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Inventory**

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

Governmental capital assets are those assets specifically related to governmental 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 in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$5,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

**I. Interfund Balances**

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Inventory**

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

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**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. 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 encumbrances, materials and supplies inventory, prepayments, debt service, BWC refunds, and school bus purchases.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a reserve for BWC refunds and a reserve for school bus purchases. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Interfund Activity**

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 basic financial statements.

**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 Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

*Governmental Activities - Fund Reclassification and Restatement of Fund Balance* - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 426,866	\$ 647,651	\$ 114,298	\$ 1,188,815
Fund reclassifications	-	-	27,219	27,219
Implementation of GASB Interpretation No. 6	<u>(24,995)</u>	<u>-</u>	<u>-</u>	<u>(24,995)</u>
Restated fund balance, June 30, 2003	<u>\$ 401,871</u>	<u>\$ 647,651</u>	<u>\$ 141,517</u>	<u>\$ 1,191,039</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 1,191,039
GASB 34 adjustments:	
Long-term (deferred) assets	235,096
Capital assets	5,981,525
Accrued interest payable	(12,907)
Pension obligation	(65,394)
Long-term liabilities	<u>(4,328,994)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 3,000,365</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Management Information Systems	\$ 8
Entry Year Programs	15
Disadvantaged Pupil Impact Aid	16
Summer Intervention	52
Title I	18,259

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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 finance 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 deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument 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.

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$9,313 and the bank balance was \$186,548. Of the bank balance:

1. \$100,025 was covered by federal depository insurance; and
2. \$86,523 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. 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, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

	<u>Reported Amount</u>	<u>Fair Value</u>
Investment in STAR Ohio	\$ 1,776,705	\$ 1,776,705
Total investments	<u>\$ 1,776,705</u>	<u>\$ 1,776,705</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,786,018	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(1,776,705)</u>	<u>1,776,705</u>
GASB Statement No. 3	<u>\$ 9,313</u>	<u>\$ 1,776,705</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers from General fund to:		
Nonmajor Governmental funds		\$ 12,210

**NOTE 6 - PROPERTY TAXES**

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

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

Public utility property tax revenue received in calendar 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 thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

The District receives property taxes from Mahoning 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 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.

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

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

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 97,809,230	87.42	\$ 102,269,830	88.40
Public utility personal	6,205,450	5.55	5,969,910	5.16
Tangible personal property	<u>7,861,560</u>	<u>7.03</u>	<u>7,451,532</u>	<u>6.44</u>
Total	<u>\$ 111,876,240</u>	<u>100.00</u>	<u>\$ 115,691,272</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 34.60		\$ 34.60	
Debt retirement	3.50		3.50	
Permanent improvement	1.00		1.00	

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. 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 reported on the Statement of Net Assets follows:

**Governmental Activities**

Taxes	\$	4,861,422
Accounts		5,421
Intergovernmental		34,739
Accrued interest		<u>43</u>
<b>Total</b>	<b>\$</b>	<b><u>4,901,625</u></b>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (see Note 2.H), to include land values not reported in the prior year, and to depreciate governmental capital assets in accordance with GASB Statement No. 34.

	Balance <u>6/30/03</u>	<u>Adjustments</u>	Restated Balance <u>07/01/03</u>
<b>Governmental Activities</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ -	\$ 99,230	\$ 99,230
Construction in progress	<u>1,735,853</u>	<u>136,651</u>	<u>1,872,504</u>
<b>Total capital assets, not being depreciated</b>	<u>1,735,853</u>	<u>235,881</u>	<u>1,971,734</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	2,123,249	(1,508,475)	614,774
Buildings and improvement	7,073,004	(80,208)	6,992,796
Furniture and equipment	2,575,346	(2,167,349)	407,997
Vehicles	<u>764,381</u>	<u>(34,821)</u>	<u>729,560</u>
<b>Total capital assets, being depreciated</b>	<u>12,535,980</u>	<u>(3,790,853)</u>	<u>8,745,127</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(4,735,336)</u>	<u>(4,735,336)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 14,271,833</u>	<u>\$ (8,290,308)</u>	<u>\$ 5,981,525</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

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

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 99,230	\$ -	\$ -	\$ 99,230
Construction in progress	<u>1,872,504</u>	<u>49,072</u>	<u>(1,921,576)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,971,734</u>	<u>49,072</u>	<u>(1,921,576)</u>	<u>99,230</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	614,774	1,508,883	-	2,123,657
Buildings and improvements	6,992,796	412,693	-	7,405,489
Furniture and equipment	407,997	-	-	407,997
Vehicles	<u>729,560</u>	<u>-</u>	<u>-</u>	<u>729,560</u>
Total capital assets, being depreciated	<u>8,745,127</u>	<u>1,921,576</u>	<u>-</u>	<u>10,666,703</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(493,919)	(96,361)	-	(590,280)
Buildings and improvements	(3,546,458)	(204,283)	-	(3,750,741)
Furniture and equipment	(240,628)	(44,419)	-	(285,047)
Vehicles	<u>(454,331)</u>	<u>(58,650)</u>	<u>-</u>	<u>(512,981)</u>
Total accumulated depreciation	<u>(4,735,336)</u>	<u>(403,713)</u>	<u>-</u>	<u>(5,139,049)</u>
Governmental activities capital assets, net	<u>\$ 5,981,525</u>	<u>\$ 1,566,935</u>	<u>\$(1,921,576)</u>	<u>\$ 5,626,884</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular \$ 210,078

Support Services:

Pupil 4,556  
Instructional staff 8,038  
Administration 13,011  
Operations and maintenance 2,145  
Pupil transportation 58,650  
Central 5,123

Extracurricular activities 99,732

Food service operations 2,380

Total depreciation expense \$ 403,713

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - LEASE-PURCHASE AGREEMENT**

On June 27, 2002, the District entered into a \$1,200,000 lease-purchase agreement with the Springfield School Building Corporation (SSBC) for the financing of a new athletic facilities complex including an eight-lane all-weather track, a home grandstand with seating for approximately 2,000 including a press box, a visitor grandstand with seating for approximately 1,000, a band shell structure and grandstand, home and visitor concession buildings with restroom facilities, ticket booths, fencing, and lighting, (hereafter the "Project"). The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2004, the District made principal and interest payments totaling \$116,168 on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded on the statement of net assets. Governmental capital assets consisting of land improvements and buildings and improvements have been capitalized in the amount of \$1,200,000. This amount represents the costs of the Project funded by the lease-purchase agreement that were incurred prior to June 30, 2004.

The following is a schedule of the future long-term minimum payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 116,168
2006	116,168
2007	116,168
2008	116,168
2009	116,168
2010 - 2014	580,844
2015 - 2017	<u>348,506</u>
Total minimum lease payments	1,510,190
Less amount representing interest	<u>(419,033)</u>
Total	<u>\$ 1,091,157</u>

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the Project is being constructed to the SSBC. The District is the lessor and SSBC is the lessee under the ground-lease agreement. The ground-lease commenced on June 27, 2002 and terminates on June 1, 2017, or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

The SSBC entered into an assignment of rents and leases agreement with the Farmers National Bank, whereby the SSBC, in consideration for the \$1,200,000 in lease-purchase proceeds provided by the Farmers National Bank, assigns to Farmers National Bank all rents, payments and income derived from the lease-purchase agreement during the term of the ground-lease.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A.** The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability has been restated by \$39,782 from \$592,984 to \$632,766 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, the pension obligations of \$53,012 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end and are reported separately on the statement of net assets. The total effect on governmental activities long-term obligations was a decrease of \$13,230 from \$4,389,892 to \$4,376,662.
- B.** On June 24, 1999, the District issued \$3,364,996 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 3.25% to 5.20% per annum and mature in various installments through December 1, 2012. The proceeds of the bonds were used to advance refund the District's 1990 general obligation school improvement bonds by purchasing U.S. Government State and Local Government Series securities (SLGS) that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunding bonds at June 30, 2004 was \$2,289,996.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying basic financial statements.

The following is a description of the District's general obligation refunding bond activity for fiscal year 2004:

	Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in One Year
General obligation bonds	\$ 2,534,996	\$ -	\$ (245,000)	\$ 2,289,996	\$ 260,000

- C.** The following is a description of the District's future annual debt service requirements to maturity for the general obligation refunding bonds:

Fiscal Year <u>Ending June 30</u>	Principal on General <u>Obligation Bonds</u>	Interest on General <u>Obligation Bonds</u>	<u>Total</u>
2005	\$ 260,000	\$ 85,368	\$ 345,368
2006	270,000	73,970	343,970
2007	270,000	62,090	332,090
2008	285,000	49,670	334,670
2009	295,000	36,546	331,546
2010 - 2013	<u>909,996</u>	<u>445,266</u>	<u>1,355,262</u>
Total	<u>\$ 2,289,996</u>	<u>\$ 752,910</u>	<u>\$ 3,042,906</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**D.** During the year ended June 30, 2004, the following changes occurred in the long-term liabilities reported on the statement of net assets. Compensated absences and early retirement incentive payments will be paid from the fund in which the employee was paid.

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 632,766	\$ 269,136	\$ (152,503)	\$ 749,399	\$ 98,277
Obligation under lease-purchase agreement	1,148,900	-	(57,743)	1,091,157	60,756
Early retirement incentive payable	60,000	20,000	(60,000)	20,000	20,000
General obligation bonds payable	<u>2,534,996</u>	<u>-</u>	<u>(245,000)</u>	<u>2,289,996</u>	<u>260,000</u>
Total long-term obligations, governmental activities	<u>\$ 4,376,662</u>	<u>\$ 289,136</u>	<u>\$ (515,246)</u>	<u>\$ 4,150,552</u>	<u>\$ 439,033</u>

**E. Early Retirement Incentive**

The District has implemented an Early Retirement Incentive Program (ERIP) for its certified employees for the fiscal years 2001-2004. The ERIP calls for a cash payment of \$20,000 payable to all eligible State Teachers Retirement System (STRS) employees who elect to retire in their first year of eligibility. Further detail of the ERIP by year is as follows:

ERIP for Fiscal Year 2004

To qualify for the ERIP, all eligible employees under STRS must have notified the District of their intent to retire by April 1 of each year, and, in fact, retire into STRS by July 1 of each year. To be eligible for the ERIP, an employee must have at least thirty years of service with STRS and at least ten years of full-time service with the District. The ERIP will be paid in two installments; one-half by September 1 of each year and the remainder by January 31 of the following year. Employees who are eligible to retire on July 1 of each year who choose not to retire at that time will forfeit their right to the retirement incentive.

As of June 30, 2004, one employee elected to take advantage of the ERIP and will be paid during fiscal 2005. A liability for this payment has been reported on the statement of net assets.

**F. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$8,827,766 and an unvoted debt margin of \$115,691.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments.

The comprehensive commercial coverage limits are \$17,114,300 and a deductible of \$1,000 per occurrence. The inland marine policy has a liability limit of \$71,000 on musical instruments with a \$1,000 deductible.

The business auto coverage now has a combined liability single limit of \$1,000,000 per accident. There are no longer individual limits for bodily injury or property damage.

The District still has liability insurance coverage limits of \$1,000,000 per claim and \$3,000,000 annual aggregate. However, the employee benefits liability is now included in the basic policy with the policy limits. This coverage has a \$1,000 deductible. In addition, the liability policy has a fire damage limit of \$500,000 for any one fire, and a medical expense limit of \$10,000 for any one person.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**B. Mahoning County Employee Insurance Consortium**

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 13 member school districts. The plan was organized to provide life insurance, health care and other benefits to its member organizations.

The District pays 90% of the medical insurance premiums and 100% of the dental and drug insurance premiums for all full-time employees. This percentage is pro-rated for part-time employees.

The health and dental coverage is administered by Professional Risk Management, a third party administrator. National Term Life Insurance Company provides the life insurance coverage.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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 school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$132,686, \$130,175, and \$120,755, respectively; 39.89% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$79,752 represents the unpaid contribution for fiscal year 2004.

**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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$594,622, \$583,906, and \$554,171, respectively; 82.84% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$102,040 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal 2004 were \$700 made by the District and \$727 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$42,473 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 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% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$66,033 during the 2004 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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 and Actual (Non-GAAP Budgetary Basis) 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:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

(c) 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 results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General Fund</u>
Budget basis	\$ (24,129)
Net adjustment for revenue accruals	35,429
Net adjustment for expenditure accruals	125,427
Net adjustment for other sources/uses	(43,783)
Adjustment for encumbrances	<u>27,514</u>
GAAP basis	<u>\$ 120,458</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. State School Funding Decision**

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>BWC Refunds</u>	<u>School Bus Purchases</u>
Set-aside cash balance as of June 30, 2003	\$ (413,980)	\$ -	\$ 57,162	\$ 25,237
Current year set-aside requirement	171,572	171,572	-	12,129
Qualifying disbursements	<u>(253,760)</u>	<u>(204,409)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (496,168)</u>	<u>\$ (32,837)</u>	<u>\$ 57,162</u>	<u>\$ 37,366</u>
Cash balance carried forward to FY 2005	<u>\$ (496,168)</u>	<u>\$ -</u>	<u>\$ 57,162</u>	<u>\$ 37,366</u>

The District had offsets and qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital maintenance set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for BWC refunds	\$ 57,162
Amounts restricted for school bus purchases	<u>37,366</u>
Total restricted assets	<u>\$ 94,528</u>

**NOTE 17 - SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% school district income tax at the November 2, 1999 election that became effective January 1, 2000. This tax is effective for five years. Income tax revenue credited to the general fund during fiscal year 2004 was \$1,237,281, including income tax receivable of \$490,556.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		10,593		10,593
School Breakfast Program		10.553	40,743		40,743	
National School Lunch Program		10.555	104,786		104,786	
Total U.S. Department of Agriculture - Nutrition Cluster			<b>145,529</b>	<b>10,593</b>	<b>145,529</b>	<b>10,593</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6BSF-2002P 6BSF-2004	84.027	1,440 127,647		1,440 127,647	
Total Special Education Cluster			<b>129,087</b>		<b>129,087</b>	
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2003 C1S1-2004	84.010	(8,950) 263,991		9,251 239,336	
Total Grants to Local Educational Agencies (ESEA Title I)			255,041		248,587	
Eisenhower, Math & Science, Title II		84.281			666	
Innovative Educational Program Strategies	C2S1-2002 C2S1-2004	84.298	4,557 6,670		4,557 6,670	
Total Innovative Educational Program Strategies			11,227		11,227	
Drug-Free Schools Grant	DRS1-2000 DRS1-2001 DRS1-2003 DRS1-2004	84.186			631 1,380 3,793 4,017	
Total Drug-Free Schools Grant			9,119 9,069		9,821	
Education Technology State Grants	TJS1-2003 TJS1-2004	84.318	(2,059) 9,364		2,474 23,729	
Total Education Technology State Grants			7,305		26,203	
Idea and Technology		84.352			1,604	
Improving Teacher Quality State Grants	TRS1-2003 TRS1-2004	84.367	4,409 67,909		34,934 18,045	
Total Improving Teacher Quality State Grants			72,318		52,979	
Total Department of Education			<b>484,047</b>		<b>480,174</b>	
<b>Totals</b>			<b>629,576</b>	<b>10,593</b>	<b>625,703</b>	<b>10,593</b>

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government'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 Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary 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  
Mahoning County  
11335 Youngstown-Pittsburgh Road  
P. O. Box 549  
New Middletown, OH 44442

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Springfield Local School District, Mahoning County (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 5, 2005 wherein we noted the District implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and do not opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated May 5, 2005, we reported another matter involving the internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

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

We intend this report solely for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities. It is not intended for 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

May 5, 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  
Mahoning County  
11335 Youngstown-Pittsburgh Road  
P. O. Box 549  
New Middletown, OH 44442

#### Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

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.

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

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

**Betty Montgomery**  
Auditor of State

May 5, 2005

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
JUNE 30, 2004**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I (84.010)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None





**Auditor of State  
Betty Montgomery**

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**SPRINGFIELD LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 16, 2005**