



Dave Yost • Auditor of State

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Springfield Local School District
Mahoning County
11335 Youngstown-Pittsburgh Road
PO Box 549
New Middletown, Ohio 44442

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Employee Insurance Consortium which represents 99 percent of the assets, for the agency fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, 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, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 11, 2013

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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, 2012. 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 fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$336,477, which represents a 5.83% decrease from fiscal year 2011.
- General revenues accounted for \$9,841,383 in revenue or 86.77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,500,726 or 13.23% of total revenues of \$11,342,109.
- The District had \$11,678,586 in expenses related to governmental activities; \$1,500,726 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,841,383 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$9,803,374 in revenues and \$9,789,296 in expenditures. During fiscal year 2012, the general fund's fund balance increased \$14,078 from \$1,134,794 to \$1,148,872.
- The District's permanent improvement fund had \$3,398,871 in revenues and other financing sources and \$300,858 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$3,098,013 from \$175,489 to \$3,273,502. The significant increase in permanent improvement fund revenues and ending fund balance is a result of lease-purchase agreement proceeds received during fiscal year 2012 for various capital improvement projects.

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 permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 fiscal year 2012?" 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 permanent improvement 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**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 21-48 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 10,287,297	\$ 6,801,981
Capital assets, net	<u>4,864,317</u>	<u>5,229,162</u>
Total assets	<u>15,151,614</u>	<u>12,031,143</u>
<u>Liabilities</u>		
Current liabilities	4,885,905	4,068,992
Long-term liabilities	<u>4,828,461</u>	<u>2,188,426</u>
Total liabilities	<u>9,714,366</u>	<u>6,257,418</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,225,902	4,369,042
Restricted	632,861	1,379,585
Unrestricted	<u>578,485</u>	<u>25,098</u>
Total net assets	<u>\$ 5,437,248</u>	<u>\$ 5,773,725</u>

The significant increases in current assets and long-term liabilities is primarily due to lease-purchase agreement proceeds received during fiscal year 2012 for various capital improvement projects and the resulting long-term obligation to repay the lease-purchase agreement liability.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$5,437,248. Of this total, \$632,861 is restricted in use.

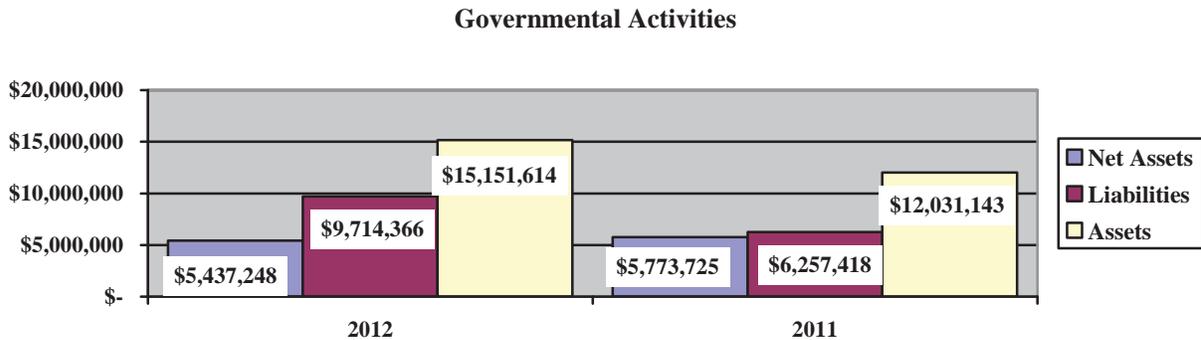
At year-end, capital assets represented 32.10% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$4,225,902. These 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**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

A portion of the District's net assets, \$632,861, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$578,485 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.



The table below shows the changes in net assets for governmental activities for fiscal years 2012 and 2011.

Change in Net Assets

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 452,711	\$ 483,274
Operating grants and contributions	1,045,234	1,808,325
Capital grants and contributions	2,781	-
General revenues:		
Property taxes	3,149,398	3,053,846
School district income taxes	1,963,344	1,727,223
Grants and entitlements	4,652,661	4,726,563
Investment earnings	2,108	5,088
Other	<u>73,872</u>	<u>26,965</u>
Total revenues	<u>11,342,109</u>	<u>11,831,284</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Change in Net Assets

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,884,996	\$ 5,071,246
Special	1,145,279	1,086,162
Vocational	194,302	197,279
Other	55,117	112,176
Support services:		
Pupil	554,884	619,331
Instructional staff	429,208	357,859
Board of education	26,721	28,980
Administration	1,224,301	1,251,004
Fiscal	328,425	331,902
Business	2,394	5,160
Operations and maintenance	983,844	1,058,527
Pupil transportation	640,168	579,616
Central	36,179	43,296
Operation of non-instructional services:		
Food service operations	548,178	544,929
Other non-instructional services	3,330	4,102
Extracurricular activities	547,825	563,923
Interest and fiscal charges	<u>73,435</u>	<u>84,408</u>
Total expenses	<u>11,678,586</u>	<u>11,939,900</u>
Change in net assets	(336,477)	(108,616)
Net assets at beginning of year	<u>5,773,725</u>	<u>5,882,341</u>
Net assets at end of year	<u>\$ 5,437,248</u>	<u>\$ 5,773,725</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$336,477. Total governmental expenses of \$11,678,586 were offset by program revenues of \$1,500,726 and general revenues of \$9,841,383. Program revenues supported 12.85% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 86.10% of total governmental revenue. The decrease in operating grants and contributions is primarily due to the decline in education stabilization and education jobs program federal funding.

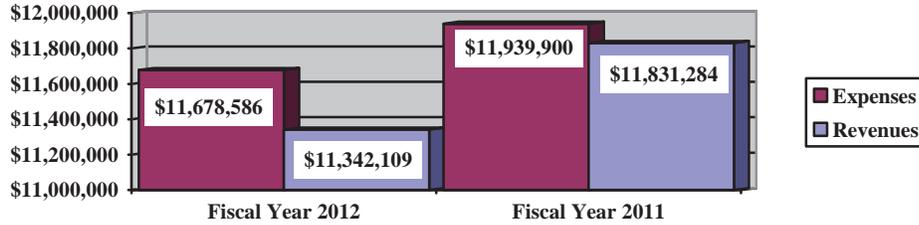
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,279,694 or 53.77% of total governmental expenses for fiscal year 2012.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

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 for fiscal years 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 4,884,996	\$ 4,832,498	\$ 5,071,246	\$ 4,401,959
Special	1,145,279	653,858	1,086,162	491,461
Vocational	194,302	172,260	197,279	175,237
Other	55,117	55,117	112,176	34,812
Support services:				
Pupil	554,884	387,412	619,331	512,862
Instructional staff	429,208	395,649	357,859	280,628
Board of education	26,721	26,721	28,980	28,980
Administration	1,224,301	1,224,216	1,251,004	1,250,607
Fiscal	328,425	328,425	331,902	331,902
Business	2,394	2,394	5,160	5,160
Operations and maintenance	983,844	933,501	1,058,527	1,053,036
Pupil transportation	640,168	626,739	579,616	574,513
Central	36,179	30,779	43,296	31,471
Operation of non-instructional services:				
Food service operations	548,178	32,324	544,929	1,770
Other non-instructional services	3,330	913	4,102	3,002
Extracurricular activities	547,825	401,619	563,923	386,493
Interest and fiscal charges	73,435	73,435	84,408	84,408
Total expenses	<u>\$ 11,678,586</u>	<u>\$ 10,177,860</u>	<u>\$ 11,939,900</u>	<u>\$ 9,648,301</u>

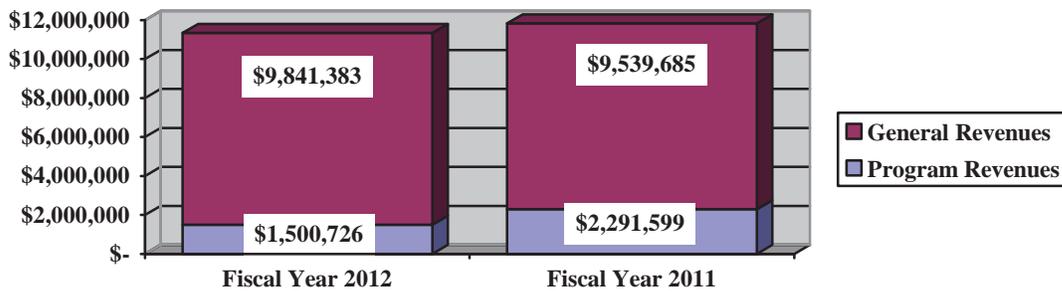
**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 90.99% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.15%. The District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,995,789, which is more than last year's total balance of \$2,274,476. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,148,872	\$ 1,134,794	\$ 14,078	1.24 %
Permanent Improvement	3,273,502	175,489	3,098,013	1,765.36 %
Other Governmental	<u>573,415</u>	<u>964,193</u>	<u>(390,778)</u>	(40.53) %
Total	<u>\$ 4,995,789</u>	<u>\$ 2,274,476</u>	<u>\$ 2,721,313</u>	119.65 %

General Fund

The District's general fund balance increased \$14,078. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,699,825	\$ 4,519,296	\$ 180,529	3.99 %
Earnings on investments	2,108	5,088	(2,980)	(58.57) %
Intergovernmental	4,935,765	4,969,288	(33,523)	(0.67) %
Other revenues	<u>165,676</u>	<u>150,316</u>	<u>15,360</u>	10.22 %
Total	<u>\$ 9,803,374</u>	<u>\$ 9,643,988</u>	<u>\$ 159,386</u>	1.65 %
<u>Expenditures</u>				
Instruction	\$ 5,723,063	\$ 5,449,684	\$ 273,379	5.02 %
Support services	3,710,819	3,874,694	(163,875)	(4.23) %
Non-instructional services	2,230	3,102	(872)	(28.11) %
Extracurricular activities	350,800	367,767	(16,967)	(4.61) %
Facilities acquisition and construction	424	26,223	(25,799)	(98.38) %
Debt service	<u>1,960</u>	<u>2,940</u>	<u>(980)</u>	(33.33) %
Total	<u>\$ 9,789,296</u>	<u>\$ 9,724,410</u>	<u>\$ 64,886</u>	0.67 %

Overall revenues of the general fund increased \$159,386 or 1.65%. Earnings on investments decreased \$2,980 or 58.57% mainly due to continually declining interest rates. Other revenues increased \$15,360 or 10.22% primarily because of an increase in contributions and donations revenue. All other revenue classifications remained comparable to fiscal year 2011.

Overall expenditures of the general fund increased \$64,886 or 0.67%. Facilities acquisition and construction expenditures decreased \$25,799 or 98.38% due to capital asset acquisition activity during fiscal year 2011 that was no longer ongoing in fiscal year 2012. Debt service expenditures decreased \$980 or 33.33% due to the retirement of the District's capital lease obligation during fiscal year 2012. All other expenditure classifications remained comparable to fiscal year 2011.

Permanent Improvement Fund

The District's permanent improvement fund had \$3,398,871 in revenues and other financing sources and \$300,858 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance increased \$3,098,013 from \$175,489 to \$3,273,502. The significant increase in permanent improvement fund revenues and ending fund balance is a result of lease-purchase agreement proceeds received during fiscal year 2012 for various capital improvement projects.

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.

For the general fund, original and final budgeted revenues and other financing sources were \$9,644,671. Actual revenues and other financing sources for fiscal year 2012 were \$10,218,497. This represents a \$573,826 increase over final budgeted amounts.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$10,639,024. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$9,821,824, which was \$817,200 less than the final budgeted amounts.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$4,864,317 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011 balances:

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

	Governmental Activities	
	2012	2011
Land	\$ 99,230	\$ 99,230
Land improvements	898,123	982,774
Building and improvements	3,502,539	3,738,588
Furniture and equipment	102,994	79,231
Vehicles	258,018	329,339
Construction in progress	3,413	-
Total	\$ 4,864,317	\$ 5,229,162

The overall decrease in capital assets of \$364,845 is due to depreciation expense of \$439,233 exceeding capital outlays of \$74,388 during fiscal year 2012.

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

Debt Administration

At June 30, 2012, the District had \$128,537 in capital appreciation bonds, \$199,409 in accreted interest and \$3,575,000 in lease-purchase agreements outstanding. Of this total, \$490,583 is due within one year and \$3,412,363 is due in more than one year. The following table summarizes the bonds and lease-purchase agreements outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2012	2011
Capital appreciation bonds	\$ 128,537	\$ 264,996
Accreted interest	199,409	367,894
Lease-purchase agreements	3,575,000	593,200
Capital lease obligations	-	1,924
Total	\$ 3,902,946	\$ 1,228,014

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 May 5, 2009, the school district income tax was renewed for a period of five years, beginning January 1, 2010. 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 five fiscal years. However, the future financial stability of the District is not without challenges. The income tax expires on December 31, 2014 and will require voter approval for an additional five years.

Since the District relies on the State for a significant portion of its general operating revenues, one of the largest challenges facing the District is that of State funding. State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. The administration of Governor John Kasich has proposed a move away from the Evidence-Based Model to a new formula for fund distribution to school districts. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts on a transitional approach until a new formula is devised. This transitional approach is referred to as the bridge formula, which the administration hopes to replace with a permanent formula by fiscal year 2013 or 2014. The bridge formula has thus far shown a reduction from previous years. This reduction, together with the loss of federal stimulus money and tangible personal property tax reimbursement, is considerable and the District is currently evaluating all options to determine how further cost savings could be realized through applying more scientific analysis to processes and procedures.

The District signed an oil and gas lease effective February 17, 2012 with Chesapeake Exploration, L.L.C. and received \$488,250 in sign up bonus. Any future income is uncertain and therefore not included in forecasted income.

The next challenge facing the District is the rapid decline in enrollment over the past several years, especially if these declines continue. 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. Indications are that enrollment for fiscal year 2013 will show a slight increase. However, these are preliminary numbers and the District will have to wait for official counts.

On a more positive note, in addition to the 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, 2016. Significant changes were agreed upon 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 citizens, 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**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 5,781,592
Receivables:	
Property taxes	3,479,525
Income taxes	866,809
Accounts	4,856
Due from other governments	146,933
Prepayments	171
Materials and supplies inventory	7,411
Capital assets:	
Land and construction in progress	102,643
Depreciable capital assets, net	4,761,674
Capital assets, net	4,864,317
 Total assets	 15,151,614
 Liabilities:	
Accounts payable	3,881
Contracts payable	3,140
Retainage payable	273
Accrued wages and benefits	867,035
Pension obligation payable	214,575
Due to other governments	27,156
Unearned revenue	3,758,514
Accrued interest payable	11,331
Long-term liabilities:	
Due within one year	743,336
Due in more than one year	4,085,125
 Total liabilities	 9,714,366
 Net Assets:	
Invested in capital assets, net of related debt	4,225,902
Restricted for:	
Debt service	598,661
Student activities	33,500
Other purposes	700
Unrestricted	578,485
 Total net assets	 \$ 5,437,248

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,884,996	\$ 45,770	\$ 6,728	\$ -	\$ (4,832,498)
Special	1,145,279	-	491,421	-	(653,858)
Vocational	194,302	-	22,042	-	(172,260)
Other	55,117	-	-	-	(55,117)
Support services:					
Pupil	554,884	-	167,472	-	(387,412)
Instructional staff	429,208	3,445	30,114	-	(395,649)
Board of education	26,721	-	-	-	(26,721)
Administration	1,224,301	-	85	-	(1,224,216)
Fiscal	328,425	-	-	-	(328,425)
Business	2,394	-	-	-	(2,394)
Operations and maintenance	983,844	343	50,000	-	(933,501)
Pupil transportation	640,168	-	13,429	-	(626,739)
Central	36,179	-	5,400	-	(30,779)
Operation of non-instructional services:					
Food service operations	548,178	260,121	255,733	-	(32,324)
Other non-instructional services	3,330	1,217	1,200	-	(913)
Extracurricular activities	547,825	141,815	1,610	2,781	(401,619)
Interest and fiscal charges	73,435	-	-	-	(73,435)
Total governmental activities	\$ 11,678,586	\$ 452,711	\$ 1,045,234	\$ 2,781	(10,177,860)

General Revenues:

Property taxes levied for:	
General purposes	2,849,970
Capital projects	299,428
School district income tax	1,963,344
Grants and entitlements not restricted	
to specific programs	4,652,661
Investment earnings	2,108
Miscellaneous	73,872
Total general revenues	9,841,383
Change in net assets	(336,477)
Net assets at beginning of year	5,773,725
Net assets at end of year	\$ 5,437,248

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 1,862,768	\$ 3,276,915	\$ 641,909	\$ 5,781,592
Receivables:				
Property taxes.	3,027,561	451,964	-	3,479,525
Income taxes.	866,809	-	-	866,809
Accounts.	4,722	-	134	4,856
Due from other governments.	4,938	-	141,995	146,933
Interfund loans.	141,995	-	-	141,995
Prepayments.	171	-	-	171
Materials and supplies inventory.	-	-	7,411	7,411
Total assets.	<u>\$ 5,908,964</u>	<u>\$ 3,728,879</u>	<u>\$ 791,449</u>	<u>\$ 10,429,292</u>
Liabilities:				
Accounts payable.	\$ 3,130	\$ -	\$ 751	\$ 3,881
Contracts payable.	-	3,140	-	3,140
Retainage payable.	-	273	-	273
Accrued wages and benefits.	809,885	-	57,150	867,035
Compensated absences payable.	135,200	-	-	135,200
Pension obligation payable.	198,160	-	16,415	214,575
Interfund loans payable.	-	-	141,995	141,995
Due to other governments.	25,433	-	1,723	27,156
Deferred revenue.	259,814	21,920	-	281,734
Unearned revenue.	3,328,470	430,044	-	3,758,514
Total liabilities.	<u>4,760,092</u>	<u>455,377</u>	<u>218,034</u>	<u>5,433,503</u>
Fund Balances:				
Nonspendable:				
Prepayments.	171	-	-	171
Materials and supplies inventory.	-	-	7,411	7,411
Restricted:				
Debt service.	-	-	598,661	598,661
Capital improvements.	-	3,076,453	-	3,076,453
Extracurricular.	-	-	33,500	33,500
Other purposes.	-	-	700	700
Committed:				
Capital improvements.	-	197,049	-	197,049
Student and staff support.	18,559	-	-	18,559
Assigned:				
Student instruction.	9,003	-	-	9,003
Student and staff support.	17,162	-	-	17,162
School supplies.	10,917	-	-	10,917
Subsequent year appropriations.	1,090,672	-	-	1,090,672
Other purposes.	2,388	-	-	2,388
Unassigned (deficit).	-	-	(66,857)	(66,857)
Total fund balances.	<u>1,148,872</u>	<u>3,273,502</u>	<u>573,415</u>	<u>4,995,789</u>
Total liabilities and fund balances.	<u>\$ 5,908,964</u>	<u>\$ 3,728,879</u>	<u>\$ 791,449</u>	<u>\$ 10,429,292</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	4,995,789
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,864,317
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	172,642	
Income taxes receivable		107,922	
Intergovernmental receivable		1,170	
Total			281,734
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(11,331)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(790,315)	
Lease-purchase agreement obligation payable		(3,575,000)	
General obligation bonds payable		(327,946)	
Total			(4,693,261)
Net assets of governmental activities		\$	5,437,248

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,844,403	\$ 284,458	\$ -	\$ 3,128,861
Income taxes	1,855,422	-	-	1,855,422
Earnings on investments	2,108	-	-	2,108
Charges for services	-	-	260,121	260,121
Extracurricular	56,134	-	100,786	156,920
Classroom materials and fees	27,808	-	-	27,808
Rental income	275	-	-	275
Contributions and donations	36,781	2,781	2,810	42,372
Contract services	5,000	-	-	5,000
Other local revenues	39,678	-	-	39,678
Intergovernmental - state	4,885,626	43,097	37,877	4,966,600
Intergovernmental - federal	50,139	-	884,701	934,840
Total revenues	9,803,374	330,336	1,286,295	11,420,005
Expenditures:				
Current:				
Instruction:				
Regular	4,540,975	19,590	201,430	4,761,995
Special	932,145	-	208,440	1,140,585
Vocational	194,844	-	-	194,844
Other	55,099	-	18	55,117
Support services:				
Pupil	356,574	-	197,290	553,864
Instructional staff	393,008	-	31,049	424,057
Board of education	26,721	-	-	26,721
Administration	1,229,589	532	85	1,230,206
Fiscal	321,238	6,157	-	327,395
Business	2,394	-	-	2,394
Operations and maintenance	843,313	18,859	50,000	912,172
Pupil transportation	513,351	52,083	-	565,434
Central	24,631	-	5,400	30,031
Operation of non-instructional services:				
Food service operations	-	-	542,299	542,299
Other non-instructional services	2,230	-	1,100	3,330
Extracurricular activities	350,800	-	99,962	450,762
Facilities acquisition and construction	424	87,469	-	87,893
Debt service:				
Principal retirement	1,924	86,735	340,000	428,659
Interest and fiscal charges	36	29,433	-	29,469
Total expenditures	9,789,296	300,858	1,677,073	11,767,227
Excess (deficiency) of revenues over (under) expenditures	14,078	29,478	(390,778)	(347,222)
Other financing sources:				
Proceeds of lease-purchase agreement	-	3,068,535	-	3,068,535
Total other financing sources	-	3,068,535	-	3,068,535
Net change in fund balances	14,078	3,098,013	(390,778)	2,721,313
Fund balances at beginning of year	1,134,794	175,489	964,193	2,274,476
Fund balances at end of year	\$ 1,148,872	\$ 3,273,502	\$ 573,415	\$ 4,995,789

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$	2,721,313
<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 costs of those assets are allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeds capital outlays in the current period accordingly.		
Capital asset additions	\$ 74,388	
Current year depreciation	<u>(439,233)</u>	
Total		(364,845)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	20,537	
Income taxes	107,922	
Intergovernmental revenue	<u>(206,355)</u>	
Total		(77,896)
Repayment of bond, capital lease 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.		
		428,659
Proceeds of lease-purchase agreements are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(3,068,535)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Increase in accrued interest payable	(8,910)	
Accretion of interest on "capital appreciation" bonds	<u>(35,056)</u>	
Total		(43,966)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>68,793</u>
Change in net assets of governmental activities	\$	<u><u>(336,477)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,817,173	\$ 2,817,173	\$ 2,844,403	\$ 27,230
Income taxes	1,762,651	1,762,651	1,811,531	48,880
Earnings on investments.	5,000	5,000	2,108	(2,892)
Classroom materials and fees	23,500	23,500	23,190	(310)
Rental income.	-	-	275	275
Contributions and donations.	200	200	3,467	3,267
Contract services	5,000	5,000	5,000	-
Other local revenues	450	450	488,722	488,272
Intergovernmental - state.	4,922,339	4,922,339	4,885,626	(36,713)
Intergovernmental - federal.	-	-	46,371	46,371
Total revenues	<u>9,536,313</u>	<u>9,536,313</u>	<u>10,110,693</u>	<u>574,380</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,862,710	4,862,710	4,551,197	311,513
Special	813,964	813,964	862,349	(48,385)
Vocational.	207,569	207,569	195,065	12,504
Other	34,382	34,382	55,551	(21,169)
Support services:				
Pupil.	546,257	546,257	376,845	169,412
Instructional staff.	348,271	348,271	393,532	(45,261)
Board of education	31,879	31,879	24,536	7,343
Administration.	1,340,365	1,340,365	1,226,670	113,695
Fiscal	356,279	356,279	322,460	33,819
Business.	5,751	5,751	2,394	3,357
Operations and maintenance.	1,042,519	1,042,519	845,738	196,781
Pupil transportation	555,098	555,098	518,760	36,338
Central	27,905	27,905	28,500	(595)
Extracurricular activities	301,537	301,537	275,808	25,729
Facilities acquisition and construction.	28,845	28,845	424	28,421
Total expenditures	<u>10,503,331</u>	<u>10,503,331</u>	<u>9,679,829</u>	<u>823,502</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(967,018)</u>	<u>(967,018)</u>	<u>430,864</u>	<u>1,397,882</u>
Other financing sources (uses):				
Transfers (out)	(22,000)	(22,000)	-	22,000
Advances in.	103,358	103,358	103,358	-
Advances (out)	(113,693)	(113,693)	(141,995)	(28,302)
Refund of prior year expenditures	5,000	5,000	4,446	(554)
Total other financing sources (uses).	<u>(27,335)</u>	<u>(27,335)</u>	<u>(34,191)</u>	<u>(6,856)</u>
Net change in fund balance	(994,353)	(994,353)	396,673	1,391,026
Fund balance at beginning of year	1,343,200	1,343,200	1,343,200	-
Prior year encumbrances appropriated	61,696	61,696	61,696	-
Fund balance at end of year	<u>\$ 410,543</u>	<u>\$ 410,543</u>	<u>\$ 1,801,569</u>	<u>\$ 1,391,026</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	Agency
Assets:	
Equity in pooled cash and cash equivalents.	\$ 9,522,687
Total assets.	\$ 9,522,687
Liabilities:	
Accounts payable.	\$ 186
Due to other governments.	9,467,904
Due to students.	54,597
Total liabilities.	\$ 9,522,687

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District is staffed by 79 certified and 40 classified personnel to provide services to approximately 1,131 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 and component units. 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 and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. 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).

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (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 possess 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Permanent improvement fund - The permanent improvement capital projects fund accounts for levy collections and other resources used for the acquisition, construction, or improvement of capital facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for principal and interest and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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 three agency funds to account for fiscal agent monies held on-behalf of the Mahoning County Insurance Consortium, other governments, 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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.

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 Nonexchange 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).

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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, income taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement 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. Allocations 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 2012 is as follows:

1. The Mahoning County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

2. 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 July 1, 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 of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources 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 original and final amended official certificates of estimated resources issued for fiscal year 2012.
3. 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.
4. Any revisions that alter the total fund appropriations must be approved by the Board of Education.
5. 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.
6. 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 July 1, 2012. However, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. 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 the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2012. 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 shares price which is the price the investment could be sold for on June 30, 2012.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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 2012 amounted to \$2,108, which includes \$1,280 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.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expended 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 deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$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>	<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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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 enabling legislation 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. 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. The District did not report any interfund transfers during fiscal year 2012.

Q. Extraordinary and Special Items

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

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

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 32,657
Education jobs	412
Title I disadvantaged children	26,370
Improving teacher quality	7

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify 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 that the Board of Education has identified as not required for use within the current five 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$5,180,329. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$1,035,018 of the District's bank balance of \$5,839,881 was covered by the FDIC, while \$4,804,863 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2012, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 10,123,950	\$ 10,123,950

The weighted average maturity of investments is one day.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 10,123,950	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 5,180,329	
Investments		<u>10,123,950</u>
Total		<u>\$ 15,304,279</u>
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 5,781,592	
Agency funds		<u>9,522,687</u>
Total		<u>\$ 15,304,279</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2012 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 141,995</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2012 operations. The District did not report any amounts available as an advance at either June 30, 2012 or June 30, 2011. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the 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 unearned revenue.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 148,815,170	95.56	\$ 153,592,760	95.50
Public utility personal	6,769,530	4.35	7,243,100	4.50
Tangible personal property	<u>133,760</u>	<u>0.09</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 155,718,460</u>	<u>100.00</u>	<u>\$ 160,835,860</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$ 32.50		\$ 30.50	
Permanent improvement	1.00		3.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, income taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. 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:

<u>Governmental activities:</u>	<u>Amount</u>
Property taxes	\$ 3,479,525
Income taxes	866,809
Accounts	4,856
Due from other governments	<u>146,933</u>
Total	<u>\$ 4,498,123</u>

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS

Fiscal year 2012 capital asset activity was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 99,230	\$ -	\$ -	\$ 99,230
Construction in progress	-	3,413	-	3,413
<i>Total capital assets, not being depreciated</i>	<u>99,230</u>	<u>3,413</u>	<u>-</u>	<u>102,643</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,215,349	-	-	2,215,349
Buildings and improvements	8,963,041	-	-	8,963,041
Equipment and furniture	662,513	70,975	-	733,488
Vehicles	948,893	-	-	948,893
<i>Total capital assets, being depreciated</i>	<u>12,789,796</u>	<u>70,975</u>	<u>-</u>	<u>12,860,771</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,232,575)	(84,651)	-	(1,317,226)
Buildings and improvements	(5,224,453)	(236,049)	-	(5,460,502)
Equipment and furniture	(583,282)	(47,212)	-	(630,494)
Vehicles	(619,554)	(71,321)	-	(690,875)
<i>Total accumulated depreciation</i>	<u>(7,659,864)</u>	<u>(439,233)</u>	<u>-</u>	<u>(8,099,097)</u>
Total capital assets, net	<u>\$ 5,229,162</u>	<u>\$ (364,845)</u>	<u>\$ -</u>	<u>\$ 4,864,317</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$ 179,608
Special	3,901
<i>Support services:</i>	
Instructional staff	2,095
Fiscal	549
Operations and maintenance	75,533
Pupil transportation	71,321
Central	6,148
Extracurricular activities	97,063
Food service operations	<u>3,015</u>
Total depreciation expense	<u>\$ 439,233</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

On March 29, 2007, the District entered into lease agreements with Pitney Bowes. These lease agreements met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Governmental capital assets acquired by capital lease have been capitalized as equipment in the amount of \$13,037, which is equal to the present value of the future minimum payments at the date of the lease inception. A corresponding liability has been recorded and is presented as a component of long-term liabilities on the statement of net assets. During fiscal year 2012, principal payments equaled \$1,924 and interest payments equaled \$36, for total debt service of \$1,960. These amounts are reflected as principal retirement and interest and fiscal charges expenditures in the fund financial statements. The capital lease obligations liability was retired during fiscal year 2012.

NOTE 10 - 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 "Original Project"). During fiscal year 2012, the District made principal and interest payments totaling \$116,168 on the lease-purchase agreement for the Original Project.

On June 21, 2012, the District entered into a \$3,068,535 lease-purchase agreement with the Ohio School Building Leasing Corporation (OSBLC) for the financing of various renovations and capital improvements on the campuses of Springfield High School and Springfield Middle School, (hereafter the "New Project").

As part of the lease-purchase agreement entered into during fiscal year 2012, the remaining debt service requirements on the lease-purchase agreement for the Original Project have been refinanced and are now included in a restructured debt payment schedule. A liability in the amount of \$3,575,000, which includes the lease-purchase agreement proceeds of \$3,068,535 for the New Project and the remaining principal balance of \$506,465 on the Original Project, 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 for the Original Project and construction in progress has been capitalized in the amount of \$3,413 for the New Project. These amounts represent the costs of the Original and New Projects incurred prior to June 30, 2012. As of June 30, 2012, the District had \$3,065,122 in unspent lease-purchase agreement proceeds.

The source of revenue to fund the principal and interest payments on the lease-purchase agreement is derived from the property tax levy in the permanent improvement fund. The District is scheduled to make its first principal and interest payments on the lease-purchase agreement's restructured debt schedule in fiscal year 2013.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LEASE-PURCHASE AGREEMENT - (Continued)

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, 2012.

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2013	\$ 312,745
2014	331,142
2015	331,142
2016	331,142
2017	331,142
2018-2022	1,655,710
2023-2027	<u>1,655,710</u>
Total future minimum lease payments	4,948,733
Less: Amount representing interest	<u>(1,373,733)</u>
Present value of future minimum lease payments	<u>\$ 3,575,000</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 capital projects are being constructed to the OSBLC. The District is the lessor and OSBLC is the lessee under the ground-lease agreement. The ground-lease commenced on June 21, 2012 and terminates on December 1, 2032, or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

The OSBLC entered into an assignment of rents and leases agreement with the Farmers National Bank, whereby the OSBLC, in consideration for the lease-purchase agreement 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.

NOTE 11 - LONG-TERM OBLIGATIONS

A. On June 24, 1999, the District issued general obligation bonds (Series 1999 Refunding Bonds) 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 refunding issue is comprised of both current interest bonds, par value \$3,100,000, and capital appreciation bonds par value \$264,996. The interest rates on the current interest bonds range from 3.25% - 4.65%. The current interest bonds were retired during fiscal year 2011. Capital appreciation bonds in the par value amount of \$136,459 matured on December 1, 2011, with the remaining \$128,537 scheduled to mature on December 1, 2012 (approximate yield to maturity of 5.20%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2012 is \$340,000. Total accreted interest of \$199,409 has been included on the statement of net assets at June 30, 2012.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

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

Fiscal Year Ending	<u>Capital Appreciation Bonds</u>		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 128,537	\$ 211,463	\$ 340,000

- C.** The effect of the change in governmental activities long-term obligations and fiscal year 2012 long-term obligations activity is as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/12</u>	<u>Amounts Due</u> <u>In One Year</u>
Capital appreciation bonds	\$ 264,996	\$ -	\$ (136,459)	\$ 128,537	\$ 128,537
Accreted interest	367,894	35,056	(203,541)	199,409	199,409
Total general obligation bonds	<u>632,890</u>	<u>35,056</u>	<u>(340,000)</u>	<u>327,946</u>	<u>327,946</u>
Lease-purchase agreement	593,200	3,068,535	(86,735)	3,575,000	162,637
Capital lease obligation	1,924	-	(1,924)	-	-
Compensated absences	960,412	187,224	(222,121)	925,515	252,753
Total governmental activities	<u>\$ 2,188,426</u>	<u>\$ 3,290,815</u>	<u>\$ (650,780)</u>	<u>\$ 4,828,461</u>	<u>\$ 743,336</u>

Lease-purchase agreement obligations will be paid from the permanent improvement fund. See Note 10 for details.

Capital lease obligations were retired from the general fund. See Note 9 for details.

Compensated absences will be paid out of the fund from which the employee is paid, which for the District is primarily the general fund.

D. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$14,945,351 (including available funds of \$598,661) and an unvoted debt margin of \$160,836.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - 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 \$28,483,383 and a deductible of \$1,000 per occurrence. The inland marine coverage no longer has separate liability limits for musical instruments, audio-visual equipment, or miscellaneous equipment. These items are now included in property damage coverage subject to the per occurrence and deductible limits.

The business auto coverage now has a combined liability single limit of \$3,000,000 per accident. There are no longer individual limits for bodily injury or property damage.

The District still has liability insurance coverage limits of \$3,000,000 per claim and \$5,000,000 annual aggregate. However, the employee benefits liability is now included in the basic policy with the policy limits. 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. There was no reduction in coverage from the prior fiscal year.

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 12 member school districts. The plan was organized to provide 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 Medical Mutual of Ohio, a third party administrator. Humana Specialty Benefits provides the life insurance coverage.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - RISK MANAGEMENT - (Continued)

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.

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 CompManagement, Inc. 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 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$158,898, \$137,897 and \$145,439, respectively; 62.91 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$629,133, \$640,241 and \$630,658, respectively; 82.93 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$14,216 made by the District and \$10,154 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$30,493, \$39,899 and \$27,478, respectively; 62.91 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,384, \$8,874 and \$8,649, respectively; 62.91 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$48,395, \$49,249 and \$48,512, respectively; 82.93 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 15 - 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);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 396,673
Net adjustment for revenue accruals	(403,972)
Net adjustment for expenditure accruals	(38,049)
Net adjustment for other sources/uses	34,191
Funds budgeted elsewhere	(7,294)
Adjustment for encumbrances	32,529
GAAP basis	\$ 14,078

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, rotary fund and public school support fund.

NOTE 16 - CONTINGENCIES

A. Grants and ADM

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

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	199,468
Current year qualifying expenditures	(238,219)
Current year offsets	<u>(327,555)</u>
Total	<u>\$ (366,306)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u><u>\$ -</u></u>

NOTE 18 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax on the November 2, 2004 election that became effective on January 1, 2005. This income tax was effective for five years. On May 5, 2009, the school district income tax was renewed for a period of five years, beginning January 1, 2010. Income tax revenue credited to the general fund during fiscal year 2012 was \$1,855,422.

NOTE 19 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 29,865
Permanent improvement	21,287
Nonmajor governmental funds	<u>12,219</u>
Total	<u><u>\$ 63,371</u></u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 20 - OPERATING LEASE - LESSOR DISCLOSURE

The District is the lessor of oil and gas rights on certain land parcels owned by the District to Chesapeake Energy. The lease agreement is from February 17, 2012 through February 17, 2017. The District received \$488,250 in the general fund at the execution of the lease. This revenue is being recognized over the life of the lease. The District will also receive a 20 percent royalty on any oil or gas that is produced.

SPRINGFIELD LOCAL SCHOOL DISTRICT
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FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	70,518		70,518	
National School Lunch Program	10.555	160,074	26,905	160,074	26,905
Total Child Nutrition Cluster		<u>230,592</u>	<u>26,905</u>	<u>230,592</u>	<u>26,905</u>
Total U.S. Department of Agriculture		<u>230,592</u>	<u>26,905</u>	<u>230,592</u>	<u>26,905</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	117,538		172,539	
ARRA - Title I Part A	84.389	-		260	
Total Title I Grants to Local Agencies		<u>117,538</u>		<u>172,799</u>	
IDEA, Part B Grant	84.027	174,860		197,423	
ARRA - IDEA, Part B	84.391	97,184		35,567	
Total IDEA, Part B Grant		<u>272,044</u>		<u>232,990</u>	
Title II-A Grant	84.367	6,174		-	
Title II-A Grant	84.367	9,042		11,557	
Total Title II-A Grant		<u>15,216</u>		<u>11,557</u>	
Safe and Drug Free Sustainability	84.186	50,000		50,000	
Total SDF Sustainability Grant		<u>50,000</u>		<u>50,000</u>	
Education Jobs Fund	84.410	151,761		214,529	
		<u>151,761</u>		<u>214,529</u>	
Total Department of Education		<u>\$ 606,559</u>	<u>\$ -</u>	<u>\$ 681,875</u>	<u>\$ -</u>
Institute of Museum and Library Services					
State Library Program	45.310	16,251		17,126	
Total Institute of Museum and Library Services		<u>\$ 16,251</u>		<u>\$ 17,126</u>	
Total Federal Awards Receipts and Expenditures		<u>\$ 853,402</u>	<u>\$ 26,905</u>	<u>\$ 929,593</u>	<u>\$ 26,905</u>

The accompanying notes are an integral part of this schedule.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Springfield Local School District
Mahoning County
11335 Youngstown-Pittsburgh Road
New Middletown, Ohio 44442

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2013. Our report refers to other auditors. 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*. Other auditors audited the financial statements of the Employee Insurance Consortium, as described in our report of the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2013.

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

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

Dave Yost
Auditor of State

March 11, 2013



Dave Yost • Auditor of State

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

Springfield Local School District
Mahoning County
11335 Youngstown-Pittsburgh Road
PO Box 549
New Middletown, Ohio 44442

To the Board of Education:

Compliance

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

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

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

Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

March 11, 2013

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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SPRINGFIELD LOCAL SCHOOL DISTRICT

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
APRIL 4, 2013