

Springfield Local School District

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Basic Financial Statements

Year Ended June 30, 2006



Mary Taylor, CPA
Auditor of State

Board of Education
Springfield Local School District
2960 Sanitarium Road
Akron, Ohio 44312

We have reviewed the *Independent Auditors' Report* of the Springfield Local School District, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Springfield Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 22, 2007

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Springfield Local School District

For The Year Ended June 30, 2006

<u>Table of Contents</u>	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet–Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget (Non-GAAP Basis) and Actual–General Fund	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Notes to Basic Financial Statements.....	21

Springfield Local School District

For The Year Ended June 30, 2006

<u>Table of Contents</u>	<u>Page</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	48
Schedule of Expenditures of Federal Awards	50
Notes to Schedule of Expenditures of Federal Awards.....	51
Schedule of Findings OMB Circular A-133 Section .505	52
Schedule of Prior Audit Findings OMB Circular A-133 Section .315(b).....	53
Response to Findings Associated with Audit Conducted in Accordance with <i>Government Auditing Standards</i> for the Year Ended June 30, 2006	54

Independent Auditors' Report

Board of Education
Springfield Local School District
Akron, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield Local School District (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2006, the Springfield Local School District implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits."

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of the Springfield Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Springfield Local School District

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

Cini & Panichi, Inc.

Cleveland, Ohio
November 30, 2006

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

The discussion and analysis of the Springfield Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

- General Revenues accounted for \$22.8 million in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6.3 million or 22% of total revenues of \$29.1 million.
- Total program expenses were \$32.3 million.
- In total, net assets decreased \$3,215,311 from 2005.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

- Governmental Activities - All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

The government-wide financial statements begin on page 10.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 12.

Proprietary Funds - The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Proprietary funds use full accrual accounting.

The proprietary fund financial statements begin on page 17.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to report proprietary funds.

The fiduciary fund financial statements begin on page 20.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Current and Other Assets	\$ 15,258,566	\$ 17,876,663
Capital Assets	3,499,674	3,411,759
Total Assets	18,758,240	21,288,422
Liabilities		
Long-Term Liabilities	2,413,628	2,327,361
Other Liabilities	16,904,127	16,305,265
Total Liabilities	19,317,755	18,632,626
Net Assets		
Invested in Capital Assets Net of Debt	2,533,686	2,430,715
Restricted for:		
Debt Service	12,964	10,928
Other Purposes	263,017	574,094
Budget Stabilization	107,978	107,978
Unrestricted (Deficit)	(3,477,160)	(467,919)
Total Net Assets	\$ (559,515)	\$ 2,655,796

Total assets decreased by \$2,530,182. The decrease was partially due to a decrease in cash and cash equivalents. An increase of approximately \$88,000 in total capital assets reflects additional purchases exceeding depreciation. Total liabilities increased by approximately \$685,000. This increase was partially due to an increase in accrued wages and benefits.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2006 as compared to fiscal year 2005.

(Table 2)
Governmental Activities

	2006	2005
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 3,177,824	\$ 3,744,292
Operating Grants	3,148,723	3,133,216
<i>General Revenue:</i>		
Property Taxes	13,552,780	13,439,259
Grants and Entitlements	9,012,099	9,401,372
Other	218,641	168,253
Total Revenues	29,110,067	29,886,392
Program Expenses		
Instruction	19,911,231	18,833,604
Support Services	10,439,951	9,835,026
Operation of Non-Instructional	1,073,806	947,088
Extracurricular Activities	844,121	850,764
Interest and Fiscal Charges	56,269	58,374
Total Expenses	32,325,378	30,524,856
Change in Net Assets	\$ (3,215,311)	\$ (638,464)

Revenue decreased by 2.6% in 2006 while expenditures increased by 5.9%. Medical claims were up by 7.6% which required additional deposits to the self insurance fund. Purchased services and the cost of utilities increased by 1.2%.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$29.1 million and expenditures of \$32.3 million.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

(Table 3)
Governmental Activities

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 19,911,231	\$ (15,251,713)	\$ 18,833,604	\$ (13,581,202)
Support Services:				
Pupil and Instructional Staff	2,767,100	(2,678,370)	2,556,402	(2,474,815)
Board of Education, Administration, Fiscal and Business	2,865,975	(2,788,597)	2,740,799	(2,646,235)
Operation and Maintenance of Plant and Central Pupil Transportation	2,911,491	(2,911,491)	2,828,015	(2,828,015)
Pupil Transportation	1,895,385	(1,895,385)	1,709,810	(1,709,804)
Operation of Non-Instructional	1,073,806	(29,595)	947,088	7,315
Extracurricular Activities	844,121	(387,411)	850,764	(356,218)
Interest and Fiscal Charges	56,269	(56,269)	58,374	(58,374)
Total Expenses	<u>\$ 32,325,378</u>	<u>\$ (25,998,831)</u>	<u>\$ 30,524,856</u>	<u>\$ (23,647,348)</u>

Instruction and Student Support Services comprise 79% of governmental program expenses. Interest/Fiscal charges were less than 1%. Interest expense was attributable to the outstanding notes, and fiscal expenses include payments to the County Auditors for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 18% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Springfield Local School District students.

The School District's Funds

Information about the School District's major funds starts on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of approximately \$29.4 million and expenditures of approximately \$32.1 million in fiscal year 2006. The net change in fund balance for fiscal year 2006 was most significant in the general fund, with a decrease of approximately \$2.5 million.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was \$25.2 million, under original budget estimates of \$25.4 million. Of the more than \$187,000 decrease, most was attributable to decreased tuition and fees and intergovernmental.

Final appropriations of \$28 million were \$112,000 lower than the \$28.1 million in the original budget.

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

During fiscal year 2006, there were no significant fluctuations between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had nearly \$3.5 million invested in land, buildings and improvements, furniture and equipment, vehicles, and textbooks. Table 4 shows fiscal year 2006 balances compared with 2005.

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

	Governmental Activities	
	2006	2005
Land	\$ 687,020	\$ 687,020
Buildings and Improvements	1,412,357	1,308,663
Furniture and Equipment	1,236,696	1,210,013
Vehicles	42,594	50,483
Textbooks	121,007	155,580
Totals	\$ 3,499,674	\$ 3,411,759

The \$87,915 increase in capital assets was attributable to additional purchases exceeding depreciation expense.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2006, this amounted to \$449,027 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements. For the textbooks, the School District disbursed \$449,027.

Debt

At June 30, 2006, the School District had \$680,724 in notes outstanding with \$59,459 due within one year. During fiscal year 2006, \$56,142 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	Governmental	Governmental
	Activities	Activities
	2006	2005
Energy Conservation Note: Rate 5.91% Due 12/1/2014	\$ 680,724	\$ 736,866

Springfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Current Issues

The Springfield Local School District continues to receive strong support from the residents of the school district. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in March, 2000. The Board of Education anticipates submitting a new operating levy to the residents of the district in 2006.

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 50% of revenues for governmental activities for the Springfield Local School District in fiscal year 2006.

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

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

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

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

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

Contacting the School District's Financial Management

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

Springfield Local School District

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,470,215
Receivables:	
Taxes	13,252,920
Accounts	201,000
Intergovernmental	303,773
Inventory	30,658
Nondepreciable Capital Assets	687,020
Depreciable Capital Assets (Net)	<u>2,812,654</u>
<i>Total Assets</i>	<u>18,758,240</u>
Liabilities	
Accounts Payable	200,646
Accrued Wages and Benefits	3,413,725
Vacation Benefits Payable	127,722
Intergovernmental Payable	1,093,081
Unearned Revenue	11,575,758
Claims Payable	366,000
Matured Compensated Absences	127,195
Long Term Liabilities:	
Due Within One Year	333,026
Due In More Than One Year	<u>2,080,602</u>
<i>Total Liabilities</i>	<u>19,317,755</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,533,686
Restricted for:	
Debt Service	12,964
Other Purposes	263,017
Budget Stabilization	107,978
Unrestricted	<u>(3,477,160)</u>
<i>Total Net Assets</i>	<u>\$ (559,515)</u>

The accompanying notes are an integral part of the financial statements.

Springfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 13,452,831	\$ 2,250,233	\$ 533,352	\$ (10,669,246)
Special	4,022,364	0	1,875,933	(2,146,431)
Vocational	511,641	0	0	(511,641)
Other	1,924,395	0	0	(1,924,395)
Support services:				
Pupils	1,734,458	0	66,408	(1,668,050)
Instructional staff	1,032,642	0	22,322	(1,010,320)
Board of education	99,013	0	0	(99,013)
Administration	1,982,166	0	21,558	(1,960,608)
Fiscal	666,153	55,820	0	(610,333)
Business	118,643	0	0	(118,643)
Operation and maintenance of plant	2,824,923	0	0	(2,824,923)
Pupil transportation	1,895,385	0	0	(1,895,385)
Central	86,568	0	0	(86,568)
Operation of non-instructional services	8,889	0	4,121	(4,768)
Food Service Operations	1,049,661	401,272	625,029	(23,360)
Uniform Supplies	15,256	13,789	0	(1,467)
Extracurricular activities	844,121	456,710	0	(387,411)
Interest and fiscal charges	56,269	0	0	(56,269)
Total Governmental Activities	\$ 32,325,378	\$ 3,177,824	\$ 3,148,723	(25,998,831)
General Revenues:				
Property Taxes Levied for:				
General Purposes				13,117,571
Debt Service				100,058
Capital Outlay				335,151
Grants and Entitlements not Restricted to Specific Programs				9,012,099
Investment Earnings				199,572
Miscellaneous				19,069
Total General Revenues				22,783,520
Change in Net Assets				(3,215,311)
Net Assets Beginning of Year				2,655,796
Net Assets End of Year				\$ (559,515)

The accompanying notes are an integral part of the financial statements.

Springfield Local School District

Balance Sheet

Governmental Funds

June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 492,591	\$ 625,356	\$ 1,117,947
Cash and Cash Equivalents-Restricted	107,978	0	107,978
Receivables:			
Taxes	12,839,390	413,530	13,252,920
Accounts	201,000	0	201,000
Interfund	133,361	0	133,361
Intergovernmental	0	303,773	303,773
Inventory	0	30,658	30,658
<i>Total Assets</i>	<u>\$ 13,774,320</u>	<u>\$ 1,373,317</u>	<u>\$ 15,147,637</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 181,036	\$ 19,610	\$ 200,646
Accrued Wages and Benefits	3,102,702	311,023	3,413,725
Interfund Payable	0	133,361	133,361
Intergovernmental Payable	1,065,973	27,108	1,093,081
Deferred Revenue	11,508,436	613,998	12,122,434
Matured Compensated Absences	127,195	0	127,195
<i>Total Liabilities</i>	<u>15,985,342</u>	<u>1,105,100</u>	<u>17,090,442</u>
Fund Balances			
Reserved for Encumbrances	77,393	49,818	127,211
Reserved for Tax Revenue Unavailable for Appropriation	1,330,954	42,880	1,373,834
Reserved for BWC Refunds	107,978	0	107,978
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	(3,727,347)	0	(3,727,347)
Special Revenue Funds	0	134,994	134,994
Debt Service Fund	0	300	300
Capital Projects Funds	0	40,225	40,225
<i>Total Fund Balances</i>	<u>(2,211,022)</u>	<u>268,217</u>	<u>(1,942,805)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 13,774,320</u>	<u>\$ 1,373,317</u>	<u>\$ 15,147,637</u>

The accompanying notes are an integral part of the financial statements.

Springfield Local School District
Reconciliation of Total Governmental Fund Balances to
Net Assets Governmental Activities
June 30, 2006

Total Governmental Fund Balances		\$ (1,942,805)
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		3,499,674
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Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 243,348	
Delinquent Property Taxes	303,328	546,676

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		(121,710)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(680,724)	
Capital Lease Payable	(285,264)	
Compensated Absences	(1,447,640)	
Vacation Benefits Payable	(127,722)	(2,541,350)

Net Assets of Governmental Activities		\$ (559,515)
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The accompanying notes are an integral part of the financial statements.

Springfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 13,297,189	\$ 441,892	\$ 13,739,081
Intergovernmental	9,833,396	2,429,600	12,262,996
Investment income	197,409	2,163	199,572
Tuition and fees	2,249,043	13,789	2,262,832
Extracurricular activities	0	445,700	445,700
Rentals	55,820	0	55,820
Charges for services	0	401,272	401,272
Gifts and Donations	2,000	12,200	14,200
Miscellaneous	16,970	99	17,069
<i>Total Revenues</i>	<u>25,651,827</u>	<u>3,746,715</u>	<u>29,398,542</u>
Expenditures:			
Current:			
Instruction:			
Regular	12,392,417	472,340	12,864,757
Special	2,834,705	1,089,939	3,924,644
Vocational	512,624	0	512,624
Other	1,924,395	0	1,924,395
Support services:			
Pupils	1,605,097	89,367	1,694,464
Instructional staff	995,090	22,322	1,017,412
Board of education	48,643	0	48,643
Administration	1,894,464	27,583	1,922,047
Fiscal	606,906	1,332	608,238
Business	112,535	0	112,535
Operation and maintenance of plant	2,796,823	0	2,796,823
Pupil transportation	1,858,535	0	1,858,535
Central	86,568	0	86,568
Operation of non-instructional services	0	8,889	8,889
Food Service Operations	0	1,038,405	1,038,405
Uniform Supplies	0	15,256	15,256
Extracurricular activities	413,102	426,985	840,087
Capital outlay	25,138	498,356	523,494
Debt service:			
Principal retirement	56,902	152,304	209,206
Interest and fiscal charges	10,700	45,568	56,268
<i>Total Expenditures</i>	<u>28,174,644</u>	<u>3,888,646</u>	<u>32,063,290</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,522,817)	(141,931)	(2,664,748)
Other Financing Sources (Uses):			
Proceeds from sales of capital assets	2,658	0	2,658
<i>Total Financing Sources and (Uses)</i>	<u>2,658</u>	<u>0</u>	<u>2,658</u>
<i>Net Change in Fund Balance</i>	(2,520,159)	(141,931)	(2,662,090)
<i>Fund balance (deficit) at beginning of year</i>	<u>309,137</u>	<u>410,148</u>	<u>719,285</u>
<i>Fund balance (deficit) at end of year</i>	<u>\$ (2,211,022)</u>	<u>\$ 268,217</u>	<u>\$ (1,942,805)</u>

The accompanying notes are an integral part of the financial statements.

Springfield Local School District
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds	\$	(2,662,090)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 491,302	
Current Year Depreciation	<u>(403,387)</u>	87,915
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(102,174)	
Delinquent Property Taxes	<u>(186,301)</u>	(288,475)
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal	56,142	
Capital Leases	<u>153,064</u>	209,206
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	(295,473)	
Increase in Vacation Benefits Payable	<u>(682)</u>	(296,155)
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(265,712)</u>
 Change in Net Assets of Governmental Activities	 \$	 <u>(3,215,311)</u>

The accompanying notes are an integral part of the financial statements.

Springfield Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 12,349,958	\$ 12,832,800	\$ 12,833,078	\$ 278
Intergovernmental	10,090,820	9,764,000	9,771,227	7,227
Investment Income	219,738	177,000	197,409	20,409
Tuition and Fees	2,538,196	2,258,009	2,280,276	22,267
Miscellaneous	167,419	147,000	150,407	3,407
<i>Total Revenues</i>	<u>25,366,131</u>	<u>25,178,809</u>	<u>25,232,397</u>	<u>53,588</u>
Expenditures:				
Current:				
Instruction	17,415,206	17,342,419	17,246,248	96,171
Support Services:				
Pupils	1,654,000	1,617,370	1,599,506	17,864
Instructional Staff	1,029,987	999,987	985,082	14,905
Board of Education	53,850	61,285	50,228	11,057
Administration	1,985,797	1,897,797	1,869,198	28,599
Fiscal	593,923	618,623	601,298	17,325
Business	110,000	120,506	112,516	7,990
Operation and Maintenance of Plant	2,932,842	2,907,442	2,871,898	35,544
Pupil Transportation	1,850,200	1,883,530	1,850,593	32,937
Central	85,000	90,000	86,568	3,432
Extracurricular Activities	386,000	419,400	403,056	16,344
Capital Outlay	4,221	30,668	29,622	1,046
<i>Total Expenditures</i>	<u>28,101,026</u>	<u>27,989,027</u>	<u>27,705,813</u>	<u>283,214</u>
Excess of Revenues Over (Under) Expenditures	(2,734,895)	(2,810,218)	(2,473,416)	336,802
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	2,959	1,540	2,658	1,118
Advances In	171,688	154,241	154,241	0
Advances Out	(175,000)	(134,000)	(133,361)	639
Transfers Out	(25,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(25,353)</u>	<u>21,781</u>	<u>23,538</u>	<u>1,757</u>
<i>Net Change in Fund Balance</i>	(2,760,248)	(2,788,437)	(2,449,878)	338,559
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,468,997	2,468,997	2,468,997	0
Prior Year Encumbrances Appropriated	323,029	323,029	323,029	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 31,778</u>	<u>\$ 3,589</u>	<u>\$ 342,148</u>	<u>\$ 338,559</u>

The accompanying notes are an integral part of the financial statements.

Springfield Local School District

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Governmental Activities Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 244,290</u>
Liabilities	
Claims Payable	<u>366,000</u>
Net Assets	
Unrestricted	<u>(121,710)</u>
Total Net Assets	<u><u>\$ (121,710)</u></u>

The accompanying notes are an integral part of the financial statements.

Springfield Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	\$ 2,653,251
Operating Expenses	
Administrative fees	451,821
Claims expense	2,467,142
<i>Total Operating Expenses</i>	2,918,963
<i>Change in Net Assets</i>	(265,712)
<i>Net Assets (Deficit) Beginning of Year</i>	144,002
<i>Net Assets (Deficit) End of Year</i>	\$ (121,710)

The accompanying notes are an integral part of the financial statements.

Springfield Local School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 2,653,251
Cash Paid for Claims	(3,310,701)
Cash Paid for Administration Fees	451,821
<i>Net Cash Used For Operating Activities</i>	<i>(205,629)</i>
<i>Net Decrease in Cash and Cash Equivalents</i>	<i>(205,629)</i>
<i>Cash and Cash Equivalents at Beginning of Year</i>	<i>449,919</i>
<i>Cash and Cash Equivalents at End of Year</i>	<i>\$ 244,290</i>
Reconciliation of Operating Loss to Net Cash Used For Operating Activities:	
Operating Loss	\$ (265,712)
Adjustments:	
Claims Payable	60,083
<i>Total Adjustments</i>	<i>60,083</i>
<i>Net Cash Used For Operating Activities</i>	<i>\$ (205,629)</i>

The accompanying notes are an integral part of the financial statements.

Springfield Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 48,948
	<hr/> <hr/>
Liabilities	
Undistributed Monies	\$ 133
Due to Students	48,815
	<hr/> <hr/>
<i>Total Liabilities</i>	\$ 48,948

The accompanying notes are an integral part of the financial statements.

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 1 - Description of the School District

Springfield Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. Each member is elected to a four year term. The Board of Education controls the School District's seven instructional support facilities staffed by 125 classified employees, 214 certified full-time teaching personnel and 14 administrators who provide services to 2,889 students and other community members.

The School District is located in both Summit and Portage counties in northeastern Ohio. The School District operates one kindergarten center, three elementary schools (1-4), an intermediate (5-6), one middle school (7-8) and a high school (9-12).

Reporting Entity

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

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

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

The School District participates in one jointly governed organization, the Northeastern Ohio Network (NEOnet), which is presented in Note 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles to its governmental activities provided they do not conflict with or contradict GASB

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

pronouncements. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The School District has elected not to follow FASB guidance for its proprietary activities issued after November 30, 1989. For the year ended June 30, 2006, the School District has implemented GASB Statement No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*”, GASB Statement No. 46, “*Net Assets Restricted by Enabling Legislation*”, and Statement No. 47, “*Accounting for Termination Benefits*.”

Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government’s net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of these new Standards. The following are the most significant of the School District’s accounting policies.

A. Basis of Presentation

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

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

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

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

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

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

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

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

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred/Unearned Revenue Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred/unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2006, investments were limited to STAROhio, (the State Treasurer's Investment Pool), and repurchase agreements.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006. Repurchase agreements are reported at cost.

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$197,409 which includes \$58,278 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, or laws of other governments or by enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. Restricted assets may also include amounts set aside as reserve for budget stabilization, which is now optional as determined by the School District. The School District did not spend all restricted assets in accordance with specific restrictions during the fiscal year. See Note 21 for calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Capital Assets

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

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

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

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Description	Governmental Activities Estimated Lives
Land	N/A
Land improvements	20 Years
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	13 Years
Textbooks	5 Years

H. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed.

I. Interfund Balances

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

J. Compensated Absences

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

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

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

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

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

K. Accrued Liabilities and Long-term Obligations

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

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

L. Net Assets

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

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

M. Fund Balance Reserves

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

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

O. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

P. Interfund Activity

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

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

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 2006.

R. Estimates

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

S. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control for the general fund was at the fund, function and object level, all other funds were at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

Appropriations A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 3 – Fund Deficits

Fund balances and net assets at June 30, 2006 included the following individual fund deficits:

	Deficit	
	Fund Balance	Net Assets
General Fund	\$ 2,211,022	\$ 3,465,390
Nonmajor Governmental Funds:		
Food Service	\$ 46,527	\$ 73,657
Permanent Improvement	0	97,252
Title VI-B	119,099	0
Title VI-R	18,183	0
Title I	16,319	0
Preschool/Handicapped	277	0
Ohio Reads	12,580	0
Miscellaneous Federal Grants	4,944	0
Proprietary Funds:		
Internal Service Fund	\$ 0	\$ 121,710

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

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Net Change in Fund Balance	<u>General</u>
GAAP Basis	\$ (2,520,159)
Net Adjustment for Revenue Accruals	(419,429)
Advance In	154,241
Advance Out	(133,361)
Net Adjustment for Expenditure Accruals	727,259
Adjustment for Encumbrances	<u>(258,429)</u>
Budget Basis	<u>\$ (2,449,878)</u>

Note 5 - Deposits and Investments

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

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

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

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

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

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it.

Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

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

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$(92,817) and the bank balance was \$1,200. Of the bank balance:

1. \$1,200 of the bank balance was covered by depository insurance; and
2. \$-0- was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

	Fair Value	Investment Maturities (in months) 0-6
First Merit Repurchase Agreement	\$ 320,000	\$ 320,000
STAROhio	1,291,630	1,291,630
Totals	\$ 1,611,630	\$ 1,611,630

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

Credit Risk: The School District's investments at June 30, 2006 include sweep accounts, and STAROhio which is rated AAA by Standard & Poor's.

Concentration of Credit Risk: The School District places no limit on the amount the School District may invest in any one issuer. More than 5% of the School District's investments are in STAROhio. This investment is 80.1% of the School District's total investments for the amounts listed above.

Note 6 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 18.75% of true

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

value for capital assets and 18.75% of true value for inventory. The assessed values upon which the fiscal year 2006 taxes were collected are:

	<i>2005 Assessed Value</i>		<i>2004 Assessed Value</i>	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 371,678,160	88.10%	\$ 347,656,500	84.47%
Public Utility Personal	7,883,890	1.87%	8,447,650	2.05%
Tangible Personal Property	42,304,385	10.03%	55,482,956	13.48%
	\$ 421,866,435	100.00%	\$ 411,587,106	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$ 48.22			

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, with the remainder payable by September 20.

The Summit County Treasurer collects property tax on behalf of all taxing districts within the county. The County Auditor periodically advances to the School District their portion of the taxes collected. The amount available to the School District as an advance at June 30, 2006 is available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available and measurable is recorded as revenue. The receivable is offset by a credit to deferred/unearned revenue for that portion not intended to finance current year operations. The amount measurable and available to the School District at June 30, 2006 was \$1,373,834.

Note 7 - Interfund Transfers

There were no transfers made during fiscal year 2006.

Note 8 - Interfund Balances

On the fund financial statements, the general fund reported an interfund receivable at June 30, 2006 of \$133,361. This receivable is made up of the following: the food services fund had an interfund payable of \$60,000, the uniform school supplies had \$2,000, the athletics fund had \$30,000, the Ohio reads fund had \$14,384, the Title I

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

fund had \$12,029, the drug free grant fund had \$6,971 the early childhood fund had \$277, and the miscellaneous federal grants fund had an interfund payable of \$7,700

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2006, all interfund loans outstanding are anticipated to be repaid in fiscal year 2007.

Note 9 – Receivables

Receivables at June 30, 2006 consisted of taxes, accounts (excess costs and student fees), interest, and intergovernmental entitlements and grants. For fiscal year 2006, excess costs receivables classification changed from intergovernmental receivable to accounts receivable. It was determined that the receivable from this tuition and fees revenue would be better classified as accounts receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
<i>Nonmajor Governmental Funds</i>	
Food Service	\$ 60,425
IDEA	121,856
Title I	46,141
Title V	1,078
Drug Free	971
Title II-A	23,354
Title II-D	7,700
IDEA Preschool Grant for the Handicapped	277
Ohio Reads	41,971
Total Intergovernmental Receivables	\$ 303,773

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/05	Additions	Reductions	Balance 6/30/06
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 687,020	\$ 0	\$ 0	\$ 687,020
<i>Capital Assets, being depreciated:</i>				
Land Improvements	891,191	7,482	0	898,673
Buildings and Improvements	10,216,021	192,631	0	10,408,652
Furniture and Equipment	2,878,622	291,189	0	3,169,811
Vehicles	336,557	0	(45,943)	290,614
Textbooks	906,811	0	0	906,811
	<u>15,229,202</u>	<u>491,302</u>	<u>(45,943)</u>	<u>15,674,561</u>
Total Capital Assets, being depreciated				
Less Accumulated Depreciation:				
Land Improvements	(782,843)	(6,645)	0	(789,488)
Buildings and Improvements	(9,015,706)	(89,774)	0	(9,105,480)
Furniture and Equipment	(1,668,609)	(264,506)	0	(1,933,115)
Vehicles	(286,074)	(7,889)	45,943	(248,020)
Textbooks	(751,231)	(34,573)	0	(785,804)
	<u>(12,504,463)</u>	<u>(403,387)</u>	<u>45,943</u>	<u>(12,861,907)</u>
Total Accumulated Depreciation				
Total Capital Assets being depreciated, net	<u>2,724,739</u>	<u>87,915</u>	<u>0</u>	<u>2,812,654</u>
Governmental Capital Assets, net	<u>\$ 3,411,759</u>	<u>\$ 87,915</u>	<u>\$ 0</u>	<u>\$ 3,499,674</u>

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 250,128
Support Services:	
Pupil	960
Instructional Staff	2,035
Board of Education	54,635
Administration	4,576
Fiscal	59,035
Operation and Maintenance of Plant	1,485
Pupil Transportation	8,825
Food Service	17,811
Extracurricular Activities	<u>3,897</u>
 Total Depreciation	 <u><u>\$ 403,387</u></u>

Note 11 – Risk Management

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

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

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

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

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2006, a total expense of \$2,918,963 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$366,000 reported in the fund at June 30, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Changes in the fund's claims liability amount in 2006 and 2005 were:

	Balance			
	Beginning	Current Year	Claim	Balance at
	of Year	Claims	Payments	End of Year
2005	\$ 272,500	\$ 2,291,756	\$2,258,339	\$ 305,917
2006	305,917	2,467,142	2,407,059	366,000

Note 12 – Compensated Absences

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

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

Note 13 Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800)878-5853. It is also posted on the SERS' Web site, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.57% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$590,457, \$513,228, and \$556,032, respectively; 43% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$337,284 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,840,583, \$1,777,456, and \$1,704,572, respectively; 82% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$1,013 made by the School District and \$15,976 made by the plan members. \$340,460 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2% of wages paid.

Note 14 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$127,264 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. The health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, (the latest information available) employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, (the latest information available) the minimum pay has been established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$189,721.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. Net health care costs for year ending June 30, 2005, (the latest information available), were \$178,221,113. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year.

As of June 30, 2005, (the latest information available), the value of the health care fund was \$267.5 million which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections,

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS had approximately 58,123 participants currently receiving health care benefits.

Note 15 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

The Springfield Local School District is party to legal proceedings. The School District management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 16 - Long - Term Obligations

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

	Outstanding 6/30/05	Additions	Reductions	Outstanding 6/30/06	Amounts Due in One Year
Governmental Activities:					
Energy Conservation Note					
Interest Rate 5.91%					
Due 12/1/2014	\$ 736,866	\$ 0	\$ 56,142	\$ 680,724	\$ 59,459
Capital Lease	438,328	0	153,064	285,264	157,567
Compensated Absences	1,152,167	419,882	124,409	1,447,640	116,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,327,361</u>	<u>\$ 419,882</u>	<u>\$ 333,615</u>	<u>\$ 2,413,628</u>	<u>\$ 333,026</u>

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

In 2003, the School District entered into a \$400,000 lease for a telephone system. The lease continues until October 2009.

In 2005, the School District entered into a \$294,000 lease for computers. The lease continues until August 2006.

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The energy conservation note will be paid from the debt service fund. The lease will be paid from the general fund. The compensated absences will be paid from the general fund and the food service enterprise fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2007	\$ 59,459	\$ 40,231	\$ 99,690
2008	62,973	36,717	99,690
2009	66,695	32,995	99,690
2010	70,637	29,053	99,690
2011	74,811	24,879	99,690
2012-2015	346,149	52,610	398,759
Total	\$ 680,724	\$ 216,485	\$ 897,209

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

Note 17– Capitalized Leases

Capital lease obligations relate to telephone equipment and computers which are leased under long-term agreements. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". \$694,000 has been recorded as capital assets relating to capital leases with \$287,372 of accumulated depreciation as of June 30, 2006. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006 is summarized below.

Fiscal Year Ending June, 30	Capital Lease		
	Principal	Interest	Total
2007	\$ 157,567	\$ 9,885	\$ 167,452
2008	62,381	5,221	67,602
2009	65,316	2,286	67,602
Total	\$ 285,264	\$ 17,392	\$ 302,656

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Deferred/unearned revenue at June 30, 2006 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 11,575,758	\$ 11,879,086
Grants Receivable	0	243,348
Unearned/Deferred Revenue	\$ 11,575,758	\$ 12,122,434

Note 19 - Contracts

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

Note 20 – Northeastern Ohio Network

The Northeastern Ohio Network (NEONet) is a jointly governed organization comprised of 17 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONet based on a per pupil charge dependent upon the software package utilized. The NEONet assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONet is governed by a board of directors chosen from the general membership of the NEONet assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2006, the District paid approximately \$49,464 to NEONet for basic service charges.

Note 21 – Statutory Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly

Springfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School Districts' establish and maintain a budget stabilization reserve. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, or returned to the general fund and used at the discretion of the of the School District's Board of Education.

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

	BWC Refund	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2005	\$ 107,978	\$ 0	\$ 0	\$ 107,978
Set-Aside Carryover Balance as of June 30, 2005	0	0	(108,967)	(108,967)
Current Year Set-Aside Requirement	0	449,027	449,027	898,054
Qualifying Disbursements	0	(463,769)	(355,423)	(819,192)
Total	\$ 107,978	\$ (14,742)	\$ (15,363)	\$ 77,873
Cash Balance Carried Forward FY 2007	\$ 107,978	\$ 0	\$ (15,363)	
Amount for Set-Asides	\$ 107,978			

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides to zero. The total reserve balance for the set-asides at the end of the fiscal year was \$107,978.

Note 22 – Subsequent Event

On July 3, 2006, the School District issued \$1,667,000 of Property Tax Revenue Anticipation Notes in connection with the Ohio Association of School Business Officials (OASBO) School District 2006 Cash Flow Borrowing Program. The notes have a maturity date of June 29, 2007 and an interest rate of 4.75%.

Due to the failure to pass the levy in November 2006, the School District has estimated a deficit of approximately \$1.7 million at June 30, 2007. Subsequent to year-end, the School District was placed in Fiscal Caution by the Ohio Department of Education. The School District has requested the Auditor of State to determine if a state of Fiscal Watch or Fiscal Emergency exists.

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Springfield Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield Local School District, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2006, wherein we noted that the District adopted *Government Accounting Standards Board Statements No. 42, 46, and 47*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Springfield Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Education
Springfield Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Springfield Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
November 30, 2006

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Board of Education
Springfield Local School District

Compliance

We have audited the compliance of the Springfield Local School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Springfield Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Springfield Local School District's management. Our responsibility is to express an opinion on the Springfield Local School District's compliance based on our audit.

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

In our opinion, the Springfield Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield Local School District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 30, 2006, wherein we noted the District adopted *Government Accounting Standards Board Statements No. 42, 46 and 47*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Springfield Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Cinni & Parichi, Inc.

Cleveland, Ohio
November 30, 2006

Springfield Local School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Federal Receipts	Federal Disbursements	Non-Cash Transactions
U.S. Department of Education:					
Passed-Through Ohio Department of Education:					
Title I	84.010	C1-S1-2006	\$ 398,884	\$ 364,298	\$ -
Title I	84.010	C1-S1-2005	70,341	83,578	-
Title I	84.010	C1-SK-2006	<u>65,041</u>	<u>70,451</u>	<u>-</u>
Total Title I			<u>534,266</u>	<u>518,327</u>	<u>-</u>
IDEA Part B	84.027	6B-SF-2006	612,774	593,728	-
IDEA Part B	84.027	6B-SF-2005	<u>115,757</u>	<u>128,814</u>	<u>-</u>
Total IDEA Part B			<u>728,531</u>	<u>722,542</u>	<u>-</u>
Preschool Grant	84.173	PG-S1-2006	<u>23,170</u>	<u>23,447</u>	<u>-</u>
Total Special Education Cluster			<u>751,701</u>	<u>745,989</u>	<u>-</u>
Title V	84.298	C2-S1-2006	<u>11,362</u>	<u>11,470</u>	<u>-</u>
Title II-A	84.367	TR-S1-2006	112,230	107,648	-
Title II-A	84.367	TR-S1-2005	<u>24,857</u>	<u>29,503</u>	<u>-</u>
Total Title II-A			<u>137,087</u>	<u>137,151</u>	<u>-</u>
Title IV-A	84.186	DR-S1-2006	12,098	11,831	-
Title IV-A	84.186	DR-S1-2005	<u>4,301</u>	<u>6,626</u>	<u>-</u>
Total Title IV-A			<u>16,399</u>	<u>18,457</u>	<u>-</u>
Title II-D	84.318	TJ-S1-2006	2,445	3,191	-
Title II-D	84.318	TJ-S1-2005	<u>7,164</u>	<u>8,812</u>	<u>-</u>
Total Title II-D			<u>9,609</u>	<u>12,003</u>	<u>-</u>
Total U.S. Department of Education			<u>1,460,424</u>	<u>1,443,397</u>	<u>-</u>
U.S. Department of Agriculture:					
Passed-Through Ohio Department of Education:					
Food Distribution	10.550		<u>125,449</u>	<u>-</u>	<u>125,449</u>
Nutrition Cluster:					
National School Breakfast Program	10.553		92,372	79,123	-
School Lunch Program	10.555		<u>387,401</u>	<u>340,225</u>	<u>-</u>
Total Nutrition Cluster			<u>479,773</u>	<u>479,773</u>	<u>419,348</u>
Total U.S. Department of Agriculture			<u>605,222</u>	<u>419,348</u>	<u>125,449</u>
U.S. Health and Human Services					
Passed Through Ohio Dept. of MRDD:					
Medical Assistance Program/CAFS	93.778		<u>24,190</u>	<u>24,190</u>	<u>-</u>
State Children Health Insurance Program	93.767		<u>330</u>	<u>330</u>	<u>-</u>
Total U.S. Health and Human Services			<u>24,520</u>	<u>24,520</u>	<u>-</u>
Total Federal Financial Assistance			\$ <u>2,090,166</u>	\$ <u>1,887,265</u>	\$ <u>125,449</u>

The accompanying notes are an integral part of this schedule

Springfield Local School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2006

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Non-Cash Support

The District receives non-cash support in the form of food subsidies from the National School Lunch Program ("NSLP"), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

CFDA – Catalog of Federal Domestic Assistance

Springfield Local School District

Schedule of Findings
OMB Circular A-133 Section .505

June 30, 2006

1. Summary of Auditor's Results

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

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None.

3. Findings for Federal Awards

None.

Springfield Local School District

Schedule of Prior Audit Findings
OMB Circular A-133-Section .315(b)

June 30, 2006

None.

Springfield Local School District

2960 Sanitarium Road
Akron, Ohio 44312
(330) 798-1111

**Response to Findings Associated with
Audit Conducted in Accordance with *Government Auditing Standards*
for the Year Ended June 30, 2006**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
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Not applicable.



Mary Taylor, CPA
Auditor of State

SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 1, 2007