



Mary Taylor, CPA
Auditor of State

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis	3
Statement of Net Assets	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	19
Statement of Fiduciary Net Assets – Fiduciary Funds.....	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Expenditures.....	47
Notes to the Schedule of Federal Awards Expenditures	48
Independent Accountants' Report on on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings.....	53

THIS PAGE INTENTIONALLY LEFT BLANK.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2007, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 20, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$640,585 which represents a 19.54% increase from 2005.
- General revenues accounted for \$9,919,881 in revenue or 89.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,208,873 or 10.86% of total revenues of \$11,128,754.
- The District had \$10,488,169 in expenses related to governmental activities; \$1,208,873 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,919,881 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$9,433,444 in revenues and \$8,912,503 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance increased \$520,941 from \$842,000 to \$1,362,941.
- The District's bond retirement fund had \$456,953 in revenues and \$351,405 in expenditures. During fiscal year 2006, the bond retirement fund's fund balance increased \$105,548 from \$765,293 to \$870,841.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's Statement of Net Assets and Statement of Activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The District as a Whole

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

The table below provides a summary of the District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 8,404,804	\$ 7,349,045
Capital assets	<u>5,071,680</u>	<u>5,288,282</u>
Total assets	<u>13,476,484</u>	<u>12,637,327</u>
<u>Liabilities</u>		
Current liabilities	6,016,446	5,526,538
Long-term liabilities	<u>3,540,948</u>	<u>3,832,284</u>
Total liabilities	<u>9,557,394</u>	<u>9,358,822</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,345,209	2,227,885
Restricted	991,686	912,750
Unrestricted (deficit)	<u>582,195</u>	<u>137,870</u>
Total net assets	<u>\$ 3,919,090</u>	<u>\$ 3,278,505</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$3,919,090. Of this total, \$991,686 is restricted in use.

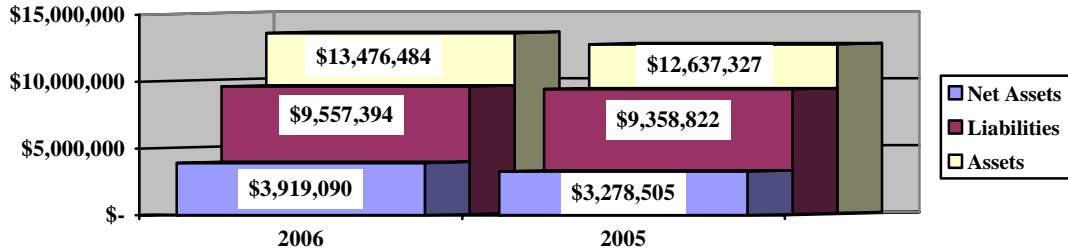
At year-end, capital assets represented 37.63% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$2,345,209. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

A portion of the District's net assets, \$991,686, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$582,195 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 484,385	\$ 459,954
Operating grants and contributions	698,295	736,690
Capital grants and contributions	26,193	-
General revenues:		
Property taxes	2,929,996	2,758,235
School district income taxes	1,520,367	1,281,124
Grants and entitlements	5,288,092	4,820,152
Investment earnings	95,446	46,965
Other	85,980	54,999
Total revenues	11,128,754	10,158,119

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,280,958	\$ 4,267,943
Special	963,729	631,551
Vocational	184,973	166,480
Other	87,362	2,445
Support services:		
Pupil	401,431	371,424
Instructional staff	478,213	378,749
Board of education	15,522	14,774
Administration	1,071,280	1,176,322
Fiscal	279,735	276,175
Business	1,056	5,604
Operations and maintenance	1,127,339	871,564
Pupil transportation	507,288	472,976
Central	43,605	50,336
Food service operations	437,565	419,800
Operations of non-instructional services	5,500	55,088
Extracurricular activities	483,814	482,972
Intergovernmental	4,126	4,126
Interest and fiscal charges	114,673	149,710
Total expenses	<u>10,488,169</u>	<u>9,798,039</u>
Change in net assets	640,585	360,080
Net assets at beginning of year	<u>3,278,505</u>	<u>2,918,425</u>
Net assets at end of year	<u>\$ 3,919,090</u>	<u>\$ 3,278,505</u>

Governmental Activities

Net assets of the District's governmental activities increased \$640,585. Total governmental expenses of \$10,488,169 were offset by program revenues of \$1,208,873 and general revenues of \$9,919,881. Program revenues supported 11.53% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 87.51% of total governmental revenue.

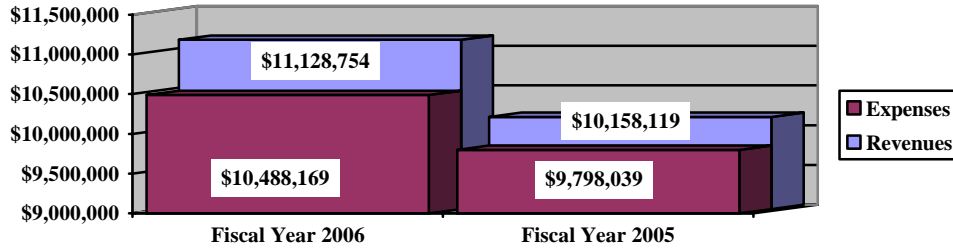
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,517,022 or 52.60% of total governmental expenses for fiscal 2006.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 4,280,958	\$ 4,186,006	\$ 4,267,943	\$ 4,145,841
Special	963,729	801,413	631,551	399,986
Vocational	184,973	184,005	166,480	166,480
Other	87,362	41,014	2,445	1,207
Support services:				
Pupil	401,431	194,500	371,424	197,014
Instructional staff	478,213	419,776	378,749	320,376
Board of education	15,522	15,440	14,774	14,774
Administration	1,071,280	1,064,308	1,176,322	1,172,920
Fiscal	279,735	264,520	276,175	276,175
Business	1,056	1,049	5,604	5,604
Operations and maintenance	1,127,339	1,115,964	871,564	866,366
Pupil transportation	507,288	504,908	472,976	472,976
Central	43,605	28,829	50,336	36,336
Food service operations	437,565	2,072	419,800	(2,546)
Operations of non-instructional services	5,500	2,040	55,088	55,088
Extracurricular activities	483,814	339,030	482,972	323,087
Intergovernmental	4,126	(251)	4,126	1
Interest and fiscal charges	114,673	114,673	149,710	149,710
Total expenses	<u>\$ 10,488,169</u>	<u>\$ 9,279,296</u>	<u>\$ 9,798,039</u>	<u>\$ 8,601,395</u>

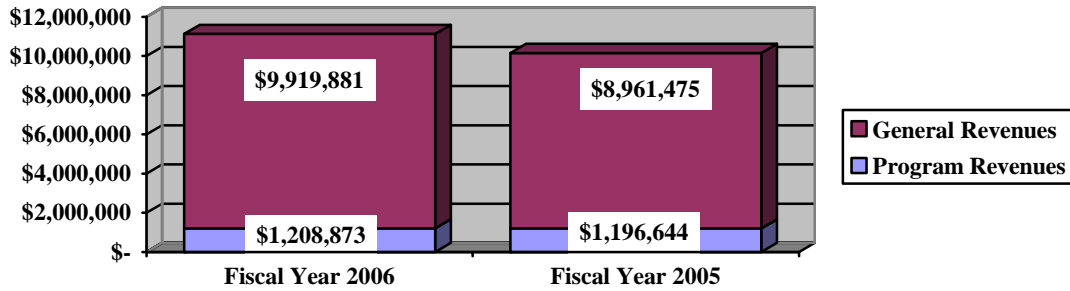
The dependence upon tax and other general revenues for governmental activities is apparent, 94.48% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.47%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,350,523, which is higher than last year's total of \$1,663,559. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 1,362,941	\$ 842,000	\$ 520,941	61.87 %
Bond Retirement	870,841	765,293	105,548	13.79 %
Other Governmental	<u>116,741</u>	<u>56,266</u>	<u>60,475</u>	107.48 %
Total	<u>\$ 2,350,523</u>	<u>\$ 1,663,559</u>	<u>\$ 686,964</u>	41.29 %

General Fund

The District's general fund balance increased \$520,941. The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Revenues exceed expenditures for fiscal year 2006 by \$540,941. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,034,147	\$ 3,570,869	\$ 463,278	12.97 %
Earnings on investments	95,446	46,965	48,481	103.23 %
Intergovernmental	5,239,874	4,761,823	478,051	10.04 %
Other revenues	<u>63,977</u>	<u>32,448</u>	<u>31,529</u>	97.17 %
Total	<u>\$ 9,433,444</u>	<u>\$ 8,412,105</u>	<u>\$ 1,021,339</u>	12.14 %
<u>Expenditures</u>				
Instruction	\$ 5,133,410	\$ 4,512,655	\$ 620,755	13.76 %
Support services	3,517,729	3,290,446	227,283	6.91 %
Extracurricular activities	206,769	194,830	11,939	6.13 %
Facilities acquisition and construction	<u>34,595</u>	<u>-</u>	<u>34,595</u>	100.00 %
Total	<u>\$ 8,892,503</u>	<u>\$ 7,997,931</u>	<u>\$ 894,572</u>	11.19 %

Bond Retirement Fund

The District's bond retirement fund had \$456,953 in revenues and \$351,405 in expenditures. During fiscal year 2006, the bond retirement fund's fund balance increased \$105,548 from \$765,293 to \$870,841.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,400,022 and final budgeted revenues and other financing sources were \$8,745,580. Actual revenues and other financing sources for fiscal 2006 was \$9,282,880. This represents a \$537,300 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$9,000,000 were decreased to \$8,993,876 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$9,375,579, which was \$381,703 more than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$5,071,680 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 99,230	\$ 99,230
Land improvements	1,350,072	1,441,725
Building and improvements	3,246,888	3,450,818
Furniture and equipment	214,107	78,808
Vehicles	161,383	217,701
Total	\$ 5,071,680	\$ 5,288,282

The overall decrease in capital assets of \$216,602 is due to depreciation expense of \$403,854 exceeding capital outlays of \$187,252 in the fiscal year.

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

Debt Administration

At June 30, 2006, the District had \$1,759,996 in general obligation bonds and \$966,475 in lease purchase agreements outstanding. Of this total, \$337,261 is due within one year and \$2,389,210 is due within greater than one year. The following table summarizes the bonds and lease purchase agreements outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ 1,759,996	\$ 2,029,996
Lease purchase agreements	966,475	1,030,401
Total	\$ 2,726,471	\$ 3,060,397

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Current Financial Related Activities

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

Since the District relies on the State for approximately 60% of the general operating revenues, one of the largest challenges facing the District is that of State funding. The five year forecast anticipates a modest increase of 2.5% in unrestricted grants-in-aid from the State. This would seem to be a reasonable and, in fact, a conservative estimate based on past history. However, it is by no means assured given the political climate and the current status of overall State funding.

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

On a more positive note, in addition to the recent renewal of the income tax, the District entered into new labor agreements with both the Springfield Local Classroom Teachers Association and the Springfield Local Classified Employees' Association. These agreements are for a period of three years ending on August 31, 2010. Significant changes were agreed on in the areas of staffing and insurance without which the District would not have been able to forecast with such optimism. The District considers its strong and trusting relationship between its Board, administrators, and all employees to be its most valuable asset.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 2,562,741
Receivables:	
Taxes	5,775,052
Accounts	2,087
Intergovernmental	35,331
Prepayments	23,283
Materials and supplies inventory	6,310
Capital assets:	
Land	99,230
Depreciable capital assets, net	4,972,450
Capital assets, net.	<u>5,071,680</u>
 Total assets.	 <u>13,476,484</u>
Liabilities:	
Accounts payable.	299
Accrued wages and benefits	734,659
Pension obligation payable.	197,031
Intergovernmental payable	36,121
Deferred revenue	5,039,541
Accrued interest payable	8,795
Long-term liabilities:	
Due within one year.	439,470
Due within more than one year	3,101,478
 Total liabilities	 <u>9,557,394</u>
Net Assets:	
Invested in capital assets, net of related debt.	2,345,209
Restricted for:	
Capital projects	23,757
Debt service.	870,346
Locally funded programs	201
State funded programs	5,838
Federally funded programs	1,041
Student activities.	26,570
Other purposes	63,933
Unrestricted	<u>582,195</u>
 Total net assets	 <u>\$ 3,919,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,280,958	\$ 27,201	\$ 55,335	\$ 12,416	\$ (4,186,006)
Special	963,729	4,289	158,027	-	(801,413)
Vocational	184,973	968	-	-	(184,005)
Other	87,362	238	46,110	-	(41,014)
Support services:					
Pupil	401,431	1,004	205,927	-	(194,500)
Instructional staff	478,213	19,440	38,997	-	(419,776)
Board of education	15,522	82	-	-	(15,440)
Administration	1,071,280	5,624	1,348	-	(1,064,308)
Fiscal	279,735	1,438	-	13,777	(264,520)
Business	1,056	7	-	-	(1,049)
Operations and maintenance	1,127,339	6,008	5,367	-	(1,115,964)
Pupil transportation	507,288	2,380	-	-	(504,908)
Central	43,605	126	14,650	-	(28,829)
Operation of non-instructional services:					
Food service operations	437,565	267,336	168,157	-	(2,072)
Other non-instructional services	5,500	3,460	-	-	(2,040)
Extracurricular activities	483,814	144,784	-	-	(339,030)
Intergovernmental pass-through	4,126	-	4,377	-	251
Interest and fiscal charges	114,673	-	-	-	(114,673)
Total governmental activities	<u>\$ 10,488,169</u>	<u>\$ 484,385</u>	<u>\$ 698,295</u>	<u>\$ 26,193</u>	<u>(9,279,296)</u>
General Revenues:					
Property taxes levied for:					
General purposes					2,425,838
Debt service					407,149
Capital projects					97,009
School district income tax					1,520,367
Grants and entitlements not restricted to specific programs					5,288,092
Investment earnings					95,446
Miscellaneous					85,980
Total general revenues					<u>9,919,881</u>
Change in net assets					640,585
Net assets at beginning of year					<u>3,278,505</u>
Net assets at end of year					<u>\$ 3,919,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,490,214	\$ 870,841	\$ 137,953	\$ 2,499,008
Receivables:				
Taxes	5,154,532	482,627	137,893	5,775,052
Accounts	1,925	-	162	2,087
Intergovernmental	-	-	35,331	35,331
Due from other funds	4,393	-	-	4,393
Prepayments	23,283	-	-	23,283
Materials and supplies inventory	-	-	6,310	6,310
Restricted assets:				
Equity in pooled cash and cash equivalents	63,733	-	-	63,733
Total assets	<u>\$ 6,738,080</u>	<u>\$ 1,353,468</u>	<u>\$ 317,649</u>	<u>\$ 8,409,197</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 299	\$ 299
Accrued wages and benefits	695,380	-	39,279	734,659
Pension obligation payable.	180,165	-	16,866	197,031
Intergovernmental payable.	33,943	-	2,178	36,121
Due to other funds	-	-	4,393	4,393
Deferred revenue.	4,465,651	482,627	137,893	5,086,171
Total liabilities	<u>5,375,139</u>	<u>482,627</u>	<u>200,908</u>	<u>6,058,674</u>
Fund Balances:				
Reserved for encumbrances	325,708	-	9,451	335,159
Reserved for materials and supplies inventory.	-	-	6,310	6,310
Reserved for prepayments	23,283	-	-	23,283
Reserved for debt service.	-	870,841	-	870,841
Reserved for BWC refunds.	57,162	-	-	57,162
Reserved for school bus purchases.	6,571	-	-	6,571
Unreserved, undesignated, reported in:				
General fund	950,217	-	-	950,217
Special revenue funds.	-	-	74,612	74,612
Capital projects funds.	-	-	26,368	26,368
Total fund balances	<u>1,362,941</u>	<u>870,841</u>	<u>116,741</u>	<u>2,350,523</u>
Total liabilities and fund balances	<u>\$ 6,738,080</u>	<u>\$ 1,353,468</u>	<u>\$ 317,649</u>	<u>\$ 8,409,197</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$ 2,350,523
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,071,680
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 46,630	
Total		46,630
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(8,795)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	814,477	
Lease purchase agreement obligation	966,475	
General obligation bonds payable	1,759,996	
Total		(3,540,948)
Net assets of governmental activities		\$ 3,919,090

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,513,780	\$ 408,735	\$ 116,782	\$ 3,039,297
Income taxes.	1,520,367	-	-	1,520,367
Tuition.	14,078	-	-	14,078
Transportation fees	350	-	-	350
Earnings on investments.	95,446	-	-	95,446
Charges for services.	-	-	267,336	267,336
Extracurricular.	-	-	170,388	170,388
Classroom materials and fees	32,233	-	4,943	37,176
Other local revenues.	17,316	-	68,664	85,980
Intergovernmental - State.	5,239,874	48,218	89,371	5,377,463
Intergovernmental - Federal	-	-	653,525	653,525
Total revenue	<u>9,433,444</u>	<u>456,953</u>	<u>1,371,009</u>	<u>11,261,406</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,090,211	-	79,298	4,169,509
Special.	814,212	-	142,515	956,727
Vocational.	183,918	-	-	183,918
Other.	45,069	-	42,293	87,362
Support services:				
Pupil.	190,435	-	205,927	396,362
Instructional staff	379,761	-	86,286	466,047
Board of education	15,522	-	-	15,522
Administration.	1,068,021	-	4,019	1,072,040
Fiscal	272,787	7,435	2,124	282,346
Business	1,056	-	-	1,056
Operations and maintenance.	1,114,545	-	5,597	1,120,142
Pupil transportation	451,715	-	-	451,715
Central.	23,887	-	15,194	39,081
Food service operations	-	-	439,114	439,114
Operation of non-instructional services	-	-	5,500	5,500
Extracurricular activities.	206,769	-	182,373	389,142
Facilities acquisition and construction	34,595	-	-	34,595
Intergovernmental pass through	-	-	4,126	4,126
Debt service:				
Principal retirement	-	270,000	63,926	333,926
Interest and fiscal charges	-	73,970	52,242	126,212
Total expenditures	<u>8,892,503</u>	<u>351,405</u>	<u>1,330,534</u>	<u>10,574,442</u>
Excess of revenues over expenditures.	<u>540,941</u>	<u>105,548</u>	<u>40,475</u>	<u>686,964</u>
Other financing sources (uses):				
Transfers in	-	-	20,000	20,000
Transfers (out)	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	520,941	105,548	60,475	686,964
Fund balances at beginning of year	<u>842,000</u>	<u>765,293</u>	<u>56,266</u>	<u>1,663,559</u>
Fund balances at end of year.	<u>\$ 1,362,941</u>	<u>\$ 870,841</u>	<u>\$ 116,741</u>	<u>\$ 2,350,523</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	686,964
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$403,854) exceeds capital outlays (\$187,252) in the current period.		(216,602)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(132,652)
Repayment of bond and lease purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		333,926
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		11,539
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(42,590)
Change in net assets of governmental activities	\$	640,585

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,592,241	\$ 3,740,018	\$ 3,880,650	\$ 140,632
Tuition.	13,032	13,568	14,078	510
Transportation fees	324	337	350	13
Earnings on investments.	90,538	94,263	97,807	3,544
Classroom materials and fees	29,838	31,065	32,233	1,168
Other local revenues	4,028	4,194	4,352	158
Intergovernmental - State	4,657,492	4,849,091	5,239,875	390,784
Total revenue	<u>8,387,493</u>	<u>8,732,536</u>	<u>9,269,345</u>	<u>536,809</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,179,956	4,177,112	4,257,579	(80,467)
Special.	784,076	783,542	798,636	(15,094)
Vocational.	184,151	184,026	187,571	(3,545)
Other.	43,856	43,826	44,670	(844)
Support services:				
Pupil.	190,813	190,683	194,356	(3,673)
Instructional staff	385,792	385,529	392,956	(7,427)
Board of education	15,278	15,268	15,562	(294)
Administration.	1,092,361	1,091,618	1,112,647	(21,029)
Fiscal	276,365	276,177	281,497	(5,320)
Business	1,037	1,036	1,056	(20)
Operations and maintenance.	1,017,663	1,016,970	1,245,008	(228,038)
Pupil transportation	512,692	512,343	522,213	(9,870)
Central.	23,452	23,436	23,887	(451)
Extracurricular activities.	204,729	204,590	208,531	(3,941)
Facilities acquisition and construction.	68,144	68,098	69,410	(1,312)
Total expenditures	<u>8,980,365</u>	<u>8,974,254</u>	<u>9,355,579</u>	<u>(381,325)</u>
Excess of revenues over (under) expenditures.	<u>(592,872)</u>	<u>(241,718)</u>	<u>(86,234)</u>	<u>155,484</u>
Other financing sources (uses):				
Refund of prior year expenditure.	12,519	13,034	13,525	491
Transfers (out)	(19,635)	(19,622)	(20,000)	(378)
Sale of capital assets	10	10	10	-
Total other financing sources (uses)	<u>(7,106)</u>	<u>(6,578)</u>	<u>(6,465)</u>	<u>113</u>
Net change in fund balance	(599,978)	(248,296)	(92,699)	155,597
Fund balance at beginning of year.	1,309,581	1,309,581	1,309,581	-
Prior year encumbrances appropriated	15,750	15,750	15,750	-
Fund balance at end of year	<u>\$ 725,353</u>	<u>\$ 1,077,035</u>	<u>\$ 1,232,632</u>	<u>\$ 155,597</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 14,018,867
Total assets.	\$ 14,018,867
Liabilities:	
Accounts payable.	\$ 778
Due to other governments	13,991,831
Due to students.	26,258
Total liabilities	\$ 14,018,867

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District is the 429th largest in the State of Ohio (among 615 public school districts) in terms of enrollment. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District is staffed by 80 certificated and 33 non-certificated personnel to provide services to approximately 1,260 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

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

Mahoning County Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2006, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$95,446, which includes \$38,482 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, BWC refunds, and school bus purchases.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the 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 GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. This statement also requires governments to disclose in the notes to the basic financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46, and GASB Statement No. 47 did not have an effect on the fund balances and net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

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

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Management Information System	\$ 47
Entry Year Programs	26
Ohio Reads	19
Drug Free School Grant	66

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

Interim deposits are deposits of interim monies. Interim moneys 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 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;
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 Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$15,394,233. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$200,167 of the District's bank balance of \$15,749,315 was covered by the Federal Deposit Insurance Corporation, while \$15,549,148 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 1,187,351	\$ 1,187,351

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

Credit Risk: The District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAA money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>1,187,351</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$ 15,394,233
Investments	1,187,351
Cash on hand	<u>25</u>
Total	<u>\$ 16,581,609</u>
<u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,562,742
Agency fund	<u>14,018,867</u>
Total	<u>\$ 16,581,609</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the fiscal year ended June 30, 2006 consisted of the following, as reported in the fund financial statements:

<u>Transfers from General fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 20,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- B.** Due from and to other funds as of June 30, 2006 consisted of the following, as reported in the fund financial statements:

<u>Due from other funds reported in the General fund:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 4,393

The purpose of this interfund balance is to eliminate a deficit cash balance and to cover costs in that fund where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 104,413,380	88.65	\$ 125,286,920	91.70
Public utility personal property	7,262,970	6.16	6,949,670	5.09
Tangible personal property	<u>6,102,898</u>	<u>5.19</u>	<u>4,379,894</u>	<u>3.21</u>
Total	<u>\$ 117,779,248</u>	<u>100.00</u>	<u>\$ 136,616,484</u>	<u>100.00</u>

Tax rate per \$1,000 of assessed valuation:

General operations	\$ 34.60	\$ 34.60
Bonded debt	3.50	3.50
Permanent improvement	1.00	1.00

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Taxes	\$ 5,775,052
Accounts	2,087
Intergovernmental	<u>35,331</u>
Total	<u>\$ 5,812,470</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 99,230	\$ -	\$ -	\$ 99,230
<i>Total capital assets, not being depreciated</i>	<u>99,230</u>	<u>-</u>	<u>-</u>	<u>99,230</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,123,657	-	-	2,123,657
Buildings and improvements	7,405,489	-	-	7,405,489
Equipment and furniture	407,997	187,252	-	595,249
Vehicles	698,079	-	-	698,079
<i>Total capital assets, being depreciated</i>	<u>10,635,222</u>	<u>187,252</u>	<u>-</u>	<u>10,822,474</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(681,932)	(91,653)	-	(773,585)
Buildings and improvements	(3,954,671)	(203,930)	-	(4,158,601)
Equipment and furniture	(329,189)	(51,953)	-	(381,142)
Vehicles	(480,378)	(56,318)	-	(536,696)
<i>Total accumulated depreciation</i>	<u>(5,446,170)</u>	<u>(403,854)</u>	<u>-</u>	<u>(5,850,024)</u>
<i>Total capital assets, net</i>	<u>\$ 5,288,282</u>	<u>\$ (216,602)</u>	<u>\$ -</u>	<u>\$ 5,071,680</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 226,321
<u>Support Services:</u>	
Pupil	2,278
Instructional staff	8,038
Administration	7,847
Fiscal	550
Operations and maintenance	1,705
Pupil transportation	56,318
Central	4,524
Extracurricular activities	94,672
Food service operations	1,601
Total depreciation expense	<u>\$ 403,854</u>

On June 27, 2002, the District entered into a \$1,200,000 lease-purchase agreement with the Springfield School Building Corporation (SSBC) for the financing of a new athletic facilities complex including an eight-lane all-weather track, a home grandstand with seating for approximately 2,000 including a press box, a visitor grandstand with seating for approximately 1,000, a band shell structure and grandstand, home and visitor concession buildings with restroom facilities, ticket booths, fencing, and lighting, (hereafter the "Project"). The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2006, the District made principal and interest payments totaling \$116,168 on the lease-purchase agreement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LEASE-PURCHASE AGREEMENT

A liability in the amount of the present value of minimum lease payments has been recorded on the statement of net assets. Governmental capital assets consisting of land improvements and buildings and improvements have been capitalized in the amount of \$1,200,000. This amount represents the costs of the Project funded by the lease-purchase agreement that were incurred prior to June 30, 2006.

The following is a schedule of the future long-term minimum payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2006.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 116,168
2008	116,168
2009	116,168
2010	116,168
2011	116,168
2012 - 2017	<u>697,008</u>
Total minimum lease payments	1,277,848
Less amount representing interest	<u>(311,373)</u>
Total	<u>\$ 966,475</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS

- A. On June 24, 1999, the District issued \$3,364,996 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 3.25% to 5.20% per annum and mature in various installments through December 1, 2012. The proceeds of the bonds were used to advance refund the District's 1990 general obligation school improvement bonds by purchasing U.S. Government State and Local Government Series securities (SLGS) that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunding bonds at June 30, 2006 was \$1,759,996.

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

The following is a description of the District's general obligation refunding bond activity for fiscal year 2006:

	Issue Date	Maturity Date	Balance Outstanding 06/30/05	Additions	Reductions	Balance Outstanding 06/30/06	Amounts Due in One Year
General obligation bonds	06/24/99	12/01/12	\$ 2,029,996	\$ -	\$ (270,000)	\$ 1,759,996	\$ 270,000
Total			\$ 2,029,996	\$ -	\$ (270,000)	\$ 1,759,996	\$ 270,000

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

Year Ended	General Obligation Bonds		
	Principal	Interest	Total
2007	\$ 270,000	\$ 62,090	\$ 332,090
2008	285,000	49,670	334,670
2009	295,000	36,546	331,546
2010	315,000	22,590	337,590
2011	330,000	7,673	337,673
2012 - 2013	264,996	415,004	680,000
Total	\$ 1,759,996	\$ 593,573	\$ 2,353,569

- C. During the year ended June 30, 2006, the following changes occurred in the long-term liabilities reported on the statement of net assets. Compensated absences and early retirement incentive payments will be paid from the fund in which the employee was paid.

<u>Governmental Activities</u>	Balance at 06/30/05	Increases	Decreases	Balance at 06/30/06	Amounts Due in One Year
General obligation bonds	\$ 2,029,996	\$ -	\$ (270,000)	\$ 1,759,996	\$ 270,000
Lease purchase agreement	1,030,401	-	(63,926)	966,475	67,261
Compensated absences	771,887	138,819	(96,229)	814,477	102,209
Total governmental activities	\$ 3,832,284	\$ 138,819	\$ (430,155)	\$ 3,540,948	\$ 439,470

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

D. Legal Debt Margins

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

The effects of these debt limitations at June 30, 2006 are a legal voted debt margin of \$11,406,329 and a legal unvoted debt margin of \$136,616.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments.

The comprehensive commercial coverage limits are \$20,595,723 and a deductible of \$1,000 per occurrence. The inland marine policy has a liability limit of \$73,130 on musical instruments with a \$1,000 deductible.

The business auto coverage now has a combined liability single limit of \$2,000,000 per accident. There are no longer individual limits for bodily injury or property damage.

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

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

B. Mahoning County Employee Insurance Consortium

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - RISK MANAGEMENT – (Continued)

C. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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 (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$106,394, \$126,096, and \$132,686, respectively; 48.05% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$55,273 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before 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 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$594,109, \$572,378, and \$594,622, respectively; 83.81% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$96,167 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - PENSION PLANS - (Continued)

Contributions to the DC and Combined Plans for fiscal 2006 were \$6,373 made by the District and \$7,147 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The 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 funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their 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. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$45,701 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$52,525 to fund health care benefits, including the surcharge.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General Fund</u>
Budget basis	\$ (92,699)
Net adjustment for revenue accruals	164,101
Net adjustment for expenditure accruals	137,366
Net adjustment for other financing sources/uses	(13,535)
Adjustment for encumbrances	<u>325,708</u>
GAAP basis	<u>\$ 520,941</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006 the reserve activity was as follows:

	Instructional <u>Materials</u>	Capital <u>Maintenance</u>	BWC <u>Refunds</u>
Set-aside balance as of June 30, 2005	\$ (508,756)	\$ (66,854)	\$ 57,162
Current year set-aside requirement	173,105	173,105	-
Current year qualifying expenditures	<u>(357,331)</u>	<u>(249,067)</u>	<u>-</u>
Total	<u>\$ (692,982)</u>	<u>\$ (142,816)</u>	<u>\$ 57,162</u>
Balance carried forward to FY2007	<u>\$ (692,982)</u>	<u>\$ -</u>	<u>\$ 57,162</u>

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

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

A schedule of restricted assets at June 30, 2006 is as follows:

Amount restricted for BWC refunds	\$ 57,162
Amount restricted for school bus purchases	<u>6,571</u>
Total	<u>\$ 63,733</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 17 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax at the November 2, 2004 election that became effective January 1, 2005. This tax is effective for five years. Income tax revenue credited to the general fund during fiscal year 2006 was \$1,520,367, including income tax receivable of \$688,881.

THIS PAGE INTENTIONALLY LEFT BLANK.

SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$15,101		\$15,101
School Breakfast Program		10.553	\$ 41,653		\$ 41,653	
National School Lunch Program		10.555	113,547		113,547	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>155,200</u>	<u>15,101</u>	<u>155,200</u>	<u>15,101</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B) Special Education Cluster	6BSF-2006	84.027	224,737		224,737	
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2005	84.010	(11,589)		11,589	
	C1S1-2006		231,242		193,200	
Total Grants to Local Educational Agencies (ESEA Title I)			<u>219,653</u>		<u>204,789</u>	
Innovative Educational Program Strategies	C2S1-2006	84.298	3,248		3,248	
Drug-Free Schools Grant	DRS1-2006	84.186	24,010		24,010	
Education Technology State Grants	TJS1-2006	84.318	3,572		3,572	
Improving Teacher Quality State Grants	TRS1-2006	84.367	12,271		16,664	
Total U.S. Department of Education			<u>487,491</u>		<u>477,020</u>	
<u>INSTITUTE OF MUSUEM AND LIBRARY SERVICES</u>						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Grants to States		45.310			21,897	
Totals			<u>\$642,691</u>	<u>\$15,101</u>	<u>\$654,117</u>	<u>\$15,101</u>

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY
FISCAL YEAR ENDED JUNE 30, 2006**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Mahoning County (the Government) as of and for the year ended June 30, 2006, which collectively comprise the Government's basic financial statements and have issued our report thereon dated March 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Government's management dated March 20, 2007, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Government's management dated March 20, 2007, we reported an other matter related to noncompliance we deemed immaterial.

Springfield Local School District
Mahoning County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

March 20, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Springfield Local School District, Mahoning County (the Government) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Government's major federal program. The Government's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Government'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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with those requirements.

In our opinion, the Government complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The Government's management 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 Government's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Mary Taylor, CPA
Auditor of State

March 20, 2007

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster (10.550, 10.553, 10.555)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

SPRINGFIELD LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 26, 2007**