



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.....	21
Notes to the Basic Financial Statements	25
Federal Awards Expenditures Schedule.....	47
Notes to the Federal Awards Expenditures Schedule	48
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Accounting Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings.....	53

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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, Ohio 44442

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

February 26, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The management's discussion and analysis of the Springfield Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$805,766 which represents a 20.56% increase from 2006.
- General revenues accounted for \$10,387,500 in revenue or 89.15% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,264,519 or 10.85% of total revenues of \$11,652,019.
- The District had \$10,846,253 in expenses related to governmental activities; \$1,264,519 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 \$10,387,500 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 \$9,820,219 in revenues and other financing sources and \$9,255,892 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund balance increased \$564,327 from \$1,362,941 to \$1,927,268.
- The District's bond retirement fund had \$436,824 in revenues and \$338,889 in expenditures. During fiscal year 2007, the bond retirement fund's fund balance increased \$97,935 from \$870,841 to \$968,776.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Notes to the Basic Financial Statements

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

The District as a Whole

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

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<u>Assets</u>		
Current and other assets	\$ 9,326,806	\$ 8,404,804
Capital assets, net	<u>4,863,216</u>	<u>5,071,680</u>
Total assets	<u>14,190,022</u>	<u>13,476,484</u>
<u>Liabilities</u>		
Current liabilities	6,185,752	6,016,446
Long-term liabilities	<u>3,279,414</u>	<u>3,540,948</u>
Total liabilities	<u>9,465,166</u>	<u>9,557,394</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,461,792	2,345,209
Restricted	1,137,847	991,686
Unrestricted	<u>1,125,217</u>	<u>582,195</u>
Total net assets	<u>\$ 4,724,856</u>	<u>\$ 3,919,090</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$4,724,856. Of this total, \$1,137,847 is restricted in use.

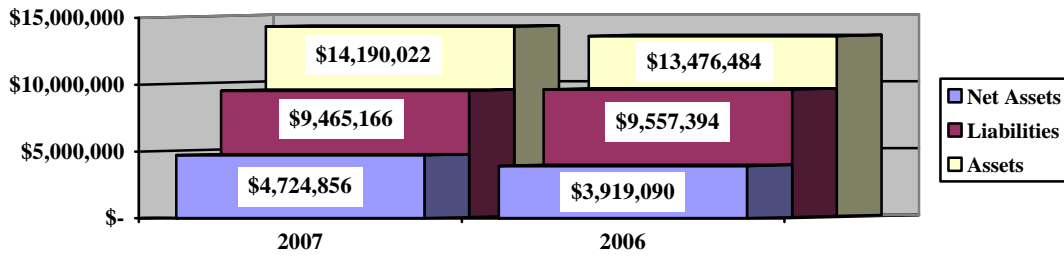
At year-end, capital assets represented 34.27% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$2,461,792. These capital assets are used 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, 2007
UNAUDITED**

A portion of the District's net assets, \$1,137,847, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,125,217 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 2007 and 2006.

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 511,055	\$ 484,385
Operating grants and contributions	729,055	698,295
Capital grants and contributions	24,409	26,193
General revenues:		
Property taxes	3,272,102	2,929,996
School district income taxes	1,662,837	1,520,367
Grants and entitlements	5,265,209	5,288,092
Investment earnings	167,641	95,446
Other	19,711	85,980
Total revenues	<u>11,652,019</u>	<u>11,128,754</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,675,998	\$ 4,280,958
Special	945,725	963,729
Vocational	183,006	184,973
Other	83,195	87,362
Support services:		
Pupil	405,048	401,431
Instructional staff	483,937	478,213
Board of education	20,452	15,522
Administration	1,140,088	1,071,280
Fiscal	283,340	279,735
Business	6,239	1,056
Operations and maintenance	980,300	1,127,339
Pupil transportation	492,456	507,288
Central	42,779	43,605
Food service operations	520,073	437,565
Operations of non-instructional services	4,214	5,500
Extracurricular activities	465,341	483,814
Intergovernmental	4,126	4,126
Interest and fiscal charges	<u>109,936</u>	<u>114,673</u>
Total expenses	<u>10,846,253</u>	<u>10,488,169</u>
Change in net assets	805,766	640,585
Net assets at beginning of year	<u>3,919,090</u>	<u>3,278,505</u>
Net assets at end of year	<u>\$ 4,724,856</u>	<u>\$ 3,919,090</u>

Governmental Activities

Net assets of the District's governmental activities increased \$805,766. Total governmental expenses of \$10,846,253 were offset by program revenues of \$1,264,519 and general revenues of \$10,387,500. Program revenues supported 11.66% of the total governmental expenses.

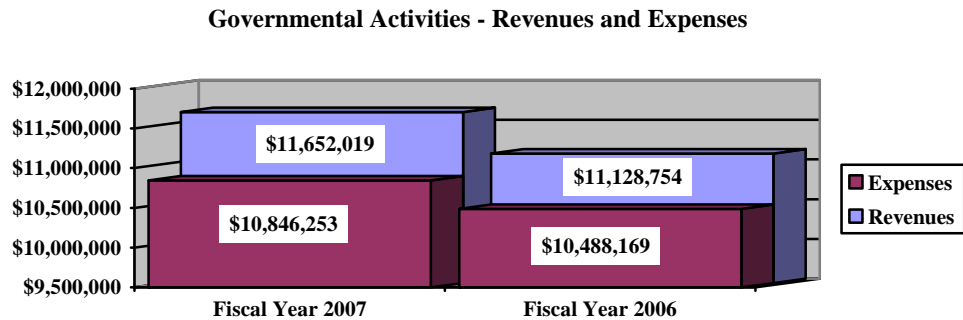
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 87.54% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,887,924 or 54.29% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.



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 <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 4,675,998	\$ 4,550,629	\$ 4,280,958	\$ 4,186,006
Special	945,725	803,083	963,729	801,413
Vocational	183,006	182,496	184,973	184,005
Other	83,195	45,829	87,362	41,014
Support services:				
Pupil	405,048	215,208	401,431	194,500
Instructional staff	483,937	417,004	478,213	419,776
Board of education	20,452	20,452	15,522	15,440
Administration	1,140,088	1,138,088	1,071,280	1,064,308
Fiscal	283,340	268,714	279,735	264,520
Business	6,239	6,239	1,056	1,049
Operations and maintenance	980,300	974,872	1,127,339	1,115,964
Pupil transportation	492,456	482,302	507,288	504,908
Central	42,779	28,779	43,605	28,829
Food service operations	520,073	60,177	437,565	2,072
Operations of non-instructional services	4,214	(3,332)	5,500	2,040
Extracurricular activities	465,341	282,268	483,814	339,030
Intergovernmental	4,126	(1,010)	4,126	(251)
Interest and fiscal charges	109,936	109,936	114,673	114,673
Total expenses	<u>\$ 10,846,253</u>	<u>\$ 9,581,734</u>	<u>\$ 10,488,169</u>	<u>\$ 9,279,296</u>

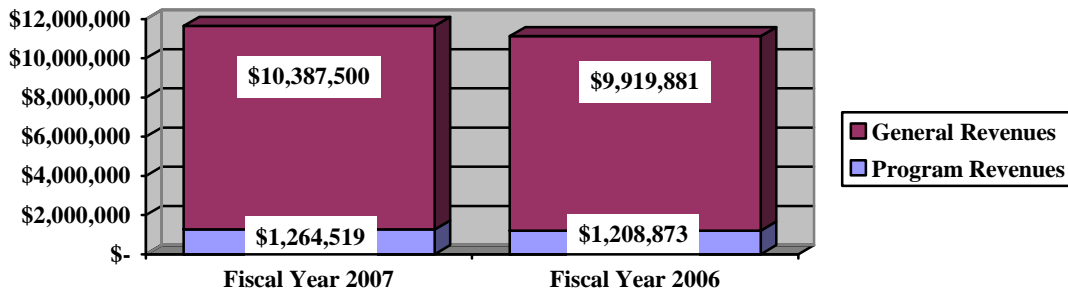
**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 94.80% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.34%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,999,277, which is higher than last year's total of \$2,350,523. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,927,268	\$ 1,362,941	\$ 564,327	41.41 %
Bond Retirement	968,776	870,841	97,935	11.25 %
Other Governmental	<u>103,233</u>	<u>116,741</u>	<u>(13,508)</u>	(11.57) %
Total	<u>\$ 2,999,277</u>	<u>\$ 2,350,523</u>	<u>\$ 648,754</u>	27.60 %

General Fund

The District's general fund balance increased \$564,327. The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Revenues exceed expenditures for fiscal year 2007 by \$591,290. 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, 2007
UNAUDITED

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,331,500	\$ 4,034,147	\$ 297,353	7.37 %
Earnings on investments	167,641	95,446	72,195	75.64 %
Intergovernmental	5,240,361	5,239,874	487	0.01 %
Other revenues	<u>67,680</u>	<u>63,977</u>	<u>3,703</u>	5.79 %
Total	<u>\$ 9,807,182</u>	<u>\$ 9,433,444</u>	<u>\$ 373,738</u>	3.96 %
<u>Expenditures</u>				
Instruction	\$ 5,392,186	\$ 5,133,410	\$ 258,776	5.04 %
Support services	3,513,811	3,517,729	(3,918)	(0.11) %
Extracurricular activities	220,727	206,769	13,958	6.75 %
Facilities acquisition and construction	75,151	34,595	40,556	117.23 %
Capital outlay	13,037	-	13,037	100.00 %
Debt service	<u>980</u>	<u>-</u>	<u>980</u>	100.00 %
Total	<u>\$ 9,215,892</u>	<u>\$ 8,892,503</u>	<u>\$ 323,389</u>	3.64 %

Bond Retirement Fund

The District's bond retirement fund had \$436,824 in revenues and \$338,889 in expenditures. During fiscal year 2007, the bond retirement fund's fund balance increased \$97,935 from \$870,841 to \$968,776.

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 2007, the District did not amend its general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$9,258,629. Actual revenues and other financing sources for fiscal 2007 was \$9,688,290. This represents a \$429,661 increase over final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$10,051,294. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$9,268,780, which was \$782,514 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$4,863,216 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 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	2006
Land	\$ 99,230	\$ 99,230
Land improvements	1,323,223	1,350,072
Building and improvements	3,057,160	3,246,888
Furniture and equipment	208,454	214,107
Vehicles	175,149	161,383
Total	\$ 4,863,216	\$ 5,071,680

The overall decrease in capital assets of \$208,464 is due to depreciation expense of \$408,876 exceeding capital outlays of \$200,412 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, 2007, the District had \$1,489,996 in general obligation bonds, \$899,214 in lease purchase agreements and \$12,214 in capital lease obligations outstanding. Of this total, \$358,154 is due within one year and \$2,043,270 is due within greater than one year. The following table summarizes the bonds, lease purchase agreements and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2007	2006
General obligation bonds	\$ 1,489,996	\$ 1,759,996
Lease purchase agreements	899,214	966,475
Capital lease obligations	12,214	-
Total	\$ 2,401,424	\$ 2,726,471

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, 2007
UNAUDITED

Current Financial Related Activities

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

Since the District relies on the State for approximately 60% of the general operating revenues, one of the largest challenges facing the District is that of State funding. The five year forecast anticipates a modest increase of 2.5% 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, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Edward N. Sobnosky, Treasurer, Springfield Local School District, Box AK 11335, Youngstown-Pittsburg Road, New Middletown, Ohio 44442.

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,116,376
Receivables:	
Taxes	6,161,827
Accounts	4,389
Intergovernmental	37,534
Materials and supplies inventory	6,680
Capital assets:	
Land	99,230
Depreciable capital assets, net	4,763,986
Capital assets, net.	4,863,216
 Total assets.	 14,190,022
 Liabilities:	
Accounts payable.	43,220
Accrued wages and benefits	651,754
Pension obligation payable.	201,643
Intergovernmental payable	59,325
Unearned revenue	5,222,233
Accrued interest payable	7,577
Long-term liabilities:	
Due within one year.	482,880
Due within more than one year	2,796,534
 Total liabilities	 9,465,166
 Net Assets:	
Invested in capital assets, net of related debt.	2,461,792
Restricted for:	
Capital projects	49,638
Debt service.	978,885
Locally funded programs	451
State funded programs	18,270
Federally funded programs	7,397
Student activities.	13,978
Other purposes	69,228
Unrestricted	1,125,217
 Total net assets	 \$ 4,724,856

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, 2007

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 4,675,998	\$ 68,956	\$ 56,413	\$ -	\$ (4,550,629)
Special	945,725	-	142,642	-	(803,083)
Vocational	183,006	-	510	-	(182,496)
Other	83,195	-	37,366	-	(45,829)
Support services:					
Pupil	405,048	-	189,840	-	(215,208)
Instructional staff	483,937	8,163	58,770	-	(417,004)
Board of education	20,452	-	-	-	(20,452)
Administration	1,140,088	-	2,000	-	(1,138,088)
Fiscal	283,340	-	-	14,626	(268,714)
Business	6,239	-	-	-	(6,239)
Operations and maintenance	980,300	605	4,823	-	(974,872)
Pupil transportation	492,456	-	371	9,783	(482,302)
Central	42,779	-	14,000	-	(28,779)
Operation of non-instructional services:					
Food service operations	520,073	278,960	180,936	-	(60,177)
Other non-instructional services	4,214	7,546	-	-	3,332
Extracurricular activities	465,341	146,825	36,248	-	(282,268)
Intergovernmental pass-through	4,126	-	5,136	-	1,010
Interest and fiscal charges	109,936	-	-	-	(109,936)
Total governmental activities	\$ 10,846,253	\$ 511,055	\$ 729,055	\$ 24,409	(9,581,734)

General Revenues:

Property taxes levied for:

General purposes	2,741,998
Debt service	400,767
Capital projects	129,337
School district income tax	1,662,837
Grants and entitlements not restricted to specific programs	5,265,209
Investment earnings	167,641
Miscellaneous	19,711

Total general revenues 10,387,500

Change in net assets 805,766

Net assets at beginning of year 3,919,090

Net assets at end of year \$ 4,724,856

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<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	\$ 1,965,931	\$ 968,776	\$ 112,441	\$ 3,047,148
Receivables:				
Taxes	5,609,983	404,686	147,158	6,161,827
Accounts	3,532	-	857	4,389
Intergovernmental	-	-	37,534	37,534
Materials and supplies inventory	-	-	6,680	6,680
Restricted assets:				
Equity in pooled cash and cash equivalents	69,228	-	-	69,228
Total assets	<u>\$ 7,648,674</u>	<u>\$ 1,373,462</u>	<u>\$ 304,670</u>	<u>\$ 9,326,806</u>
Liabilities:				
Accounts payable	\$ 42,832	\$ -	\$ 388	\$ 43,220
Accrued wages and benefits	631,435	-	20,319	651,754
Pension obligation payable.	187,194	-	14,449	201,643
Intergovernmental payable.	56,128	-	3,197	59,325
Deferred revenue.	114,276	14,045	21,033	149,354
Unearned revenue.	4,689,541	390,641	142,051	5,222,233
Total liabilities	<u>5,721,406</u>	<u>404,686</u>	<u>201,437</u>	<u>6,327,529</u>
Fund Balances:				
Reserved for encumbrances	12,536	-	2,210	14,746
Reserved for materials and supplies inventory.	-	-	6,680	6,680
Reserved for debt service.	-	968,776	-	968,776
Reserved for BWC refunds.	57,162	-	-	57,162
Reserved for school bus purchases.	12,066	-	-	12,066
Unreserved, undesignated, reported in:				
General fund	1,845,504	-	-	1,845,504
Special revenue funds.	-	-	46,215	46,215
Capital projects funds.	-	-	48,128	48,128
Total fund balances	<u>1,927,268</u>	<u>968,776</u>	<u>103,233</u>	<u>2,999,277</u>
Total liabilities and fund balances	<u>\$ 7,648,674</u>	<u>\$ 1,373,462</u>	<u>\$ 304,670</u>	<u>\$ 9,326,806</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, 2007

Total governmental fund balances		\$ 2,999,277
<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.		4,863,216
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 133,428	
Intergovernmental revenue	15,926	
Total		149,354
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,577)
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	877,990	
Lease purchase agreement obligation	911,428	
General obligation bonds payable	1,489,996	
Total		(3,279,414)
Net assets of governmental activities		\$ 4,724,856

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, 2007

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,331,500	\$ 391,147	\$ 125,494	\$ 4,848,141
Tuition.	16,585	-	-	16,585
Earnings on investments.	167,641	-	-	167,641
Charges for services.	-	-	278,960	278,960
Extracurricular.	-	-	170,220	170,220
Classroom materials and fees	34,445	-	5,240	39,685
Other local revenues.	16,650	-	44,914	61,564
Intergovernmental - Intermediate	-	-	2,750	2,750
Intergovernmental - State.	5,240,361	45,677	79,411	5,365,449
Intergovernmental - Federal	-	-	598,300	598,300
Total revenue	<u>9,807,182</u>	<u>436,824</u>	<u>1,305,289</u>	<u>11,549,295</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,371,316	-	65,554	4,436,870
Special.	797,738	-	137,695	935,433
Vocational.	181,125	-	-	181,125
Other.	42,007	-	41,188	83,195
Support services:				
Pupil.	214,357	-	189,911	404,268
Instructional staff	408,808	-	66,012	474,820
Board of education	20,452	-	-	20,452
Administration.	1,091,839	-	2,012	1,093,851
Fiscal	271,580	6,799	2,192	280,571
Business	6,239	-	-	6,239
Operations and maintenance.	976,432	-	4,823	981,255
Pupil transportation	498,514	-	-	498,514
Central.	25,590	-	13,953	39,543
Food service operations	-	-	520,573	520,573
Operation of non-instructional services	-	-	4,214	4,214
Extracurricular activities.	220,727	-	190,376	411,103
Capital outlay	13,037	-	-	13,037
Facilities acquisition and construction	75,151	-	-	75,151
Intergovernmental pass through	-	-	4,126	4,126
Debt service:				
Principal retirement	823	270,000	67,261	338,084
Interest and fiscal charges	157	62,090	48,907	111,154
Total expenditures	<u>9,215,892</u>	<u>338,889</u>	<u>1,358,797</u>	<u>10,913,578</u>
Excess of revenues over (under) expenditures.	<u>591,290</u>	<u>97,935</u>	<u>(53,508)</u>	<u>635,717</u>
Other financing sources (uses):				
Transfers in	-	-	40,000	40,000
Transfers (out)	(40,000)	-	-	(40,000)
Proceeds of capital lease transaction	13,037	-	-	13,037
Total other financing sources (uses)	<u>(26,963)</u>	<u>-</u>	<u>40,000</u>	<u>13,037</u>
Net change in fund balances	564,327	97,935	(13,508)	648,754
Fund balances at beginning of year	<u>1,362,941</u>	<u>870,841</u>	<u>116,741</u>	<u>2,350,523</u>
Fund balances at end of year.	<u>\$ 1,927,268</u>	<u>\$ 968,776</u>	<u>\$ 103,233</u>	<u>\$ 2,999,277</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, 2007

Net change in fund balances - total governmental funds	\$	648,754
 <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 (\$408,876) exceeds capital outlays (\$200,412) in the current period.		(208,464)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		102,724
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.		338,084
Proceeds of capital lease transactions are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(13,037)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,218
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.		(63,513)
Change in net assets of governmental activities	\$	805,766

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, 2007

	<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	\$ 2,593,923	\$ 2,563,004	\$ 2,644,203	\$ 81,199
Income taxes.	1,490,881	1,521,800	1,570,012	48,212
Tuition.	3,822	3,832	16,585	12,753
Earnings on investments.	100,000	100,000	167,641	67,641
Extracurricular.	24,000	24,000	-	(24,000)
Classroom materials and fees	5,000	5,000	34,445	29,445
Other local revenues	1,950	1,950	10,692	8,742
Intergovernmental - State	5,039,043	5,039,043	5,240,361	201,318
Total revenue	<u>9,258,619</u>	<u>9,258,629</u>	<u>9,683,939</u>	<u>425,310</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,675,491	4,675,491	4,436,038	239,453
Special.	878,499	878,499	794,265	84,234
Vocational.	206,322	206,322	186,037	20,285
Other.	49,138	49,138	42,059	7,079
Support services:				
Pupil.	213,783	213,783	217,221	(3,438)
Instructional staff	431,894	431,894	417,394	14,500
Board of education	17,114	17,114	20,452	(3,338)
Administration.	1,222,444	1,222,444	1,084,805	137,639
Fiscal	309,596	309,596	271,505	38,091
Business	1,162	1,162	6,239	(5,077)
Operations and maintenance.	1,127,447	1,127,447	931,730	195,717
Pupil transportation	567,876	567,876	502,021	65,855
Central.	26,276	26,276	25,590	686
Extracurricular activities.	229,382	229,382	218,273	11,109
Facilities acquisition and construction.	72,870	72,870	75,151	(2,281)
Total expenditures	<u>10,029,294</u>	<u>10,029,294</u>	<u>9,228,780</u>	<u>800,514</u>
Excess of revenues over (under) expenditures.	<u>(770,675)</u>	<u>(770,665)</u>	<u>455,159</u>	<u>1,225,824</u>
Other financing sources (uses):				
Transfers (out)	(22,000)	(22,000)	(40,000)	(18,000)
Sale of capital assets	-	-	1,061	1,061
Refund of prior year expenditure.	-	-	3,290	3,290
Total other financing sources (uses)	<u>(22,000)</u>	<u>(22,000)</u>	<u>(35,649)</u>	<u>(13,649)</u>
Net change in fund balance	(792,675)	(792,665)	419,510	1,212,175
Fund balance at beginning of year.	1,232,632	1,232,632	1,232,632	-
Prior year encumbrances appropriated	325,708	325,708	325,708	-
Fund balance at end of year	<u>\$ 765,665</u>	<u>\$ 765,675</u>	<u>\$ 1,977,850</u>	<u>\$ 1,212,175</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, 2007

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 12,704,624
Total assets.	\$ 12,704,624
Liabilities:	
Accounts payable.	\$ 21,804
Due to other governments	12,648,485
Due to students.	34,335
Total liabilities	\$ 12,704,624

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, 2007**

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 424th largest in the State of Ohio (among 876 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 84 certificated and 35 non-certificated personnel to provide services to approximately 1,218 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, 2007

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

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

Mahoning County Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund 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 three agency funds to account for fiscal agent monies held on-behalf of the Mahoning County Insurance Consortium, other governments, and student activities.

C. Basis of Presentation and Measurement Focus

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

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, 2007

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, 2007

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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 2007 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 Official Certificates of Estimated Resources issued for fiscal year 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total fund appropriations 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, 2007, 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 the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal 2007. 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, 2007.

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 2007 amounted to \$167,641, which includes \$62,816 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, 2007

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 "due to/from other funds." 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, 2007

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, 2007, 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, 2007, 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, 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, 2007

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 and monies restricted for school bus purchases. The reserve for BWC refunds is required by State statute. A schedule of statutory reserves and restricted assets is presented in Note 17.

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 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Food Service	\$ 9,402
Ohio Reads	31
Title I Disadvantaged Children	1,230
Drug Free School Grant	84

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.

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.

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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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.

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, 2007, the carrying amount of all District deposits was \$13,136,430. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$200,005 of the District's bank balance of \$13,510,428 was covered by the Federal Deposit Insurance Corporation, while \$13,310,423 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 2,684,570	\$ 2,684,570

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.

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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,684,570	100.00%

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$ 13,136,430
Investments	<u>2,684,570</u>
Total	<u>\$ 15,821,000</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,116,376
Agency fund	<u>12,704,624</u>
Total	<u>\$ 15,821,000</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2007 consisted of the following, as reported in the fund financial statements:

<u>Transfers from General fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 40,000

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.

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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.

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, 2007, 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, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 125,286,920	91.70	\$ 132,066,070	92.97
Public utility personal property	6,949,670	5.09	7,018,550	4.94
Tangible personal property	<u>4,379,894</u>	<u>3.21</u>	<u>2,966,118</u>	<u>2.09</u>
Total	<u>\$ 136,616,484</u>	<u>100.00</u>	<u>\$ 142,050,738</u>	<u>100.00</u>

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

General operations	\$ 34.60	\$ 34.60
Bonded debt	3.50	2.75
Permanent improvement	1.00	1.00

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Taxes	\$ 6,161,827
Accounts	4,389
Intergovernmental	<u>37,534</u>
Total	<u>\$ 6,203,750</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, 2007

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> 06/30/06	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/07
<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	66,465	-	2,190,122
Buildings and improvements	7,405,489	13,925	-	7,419,414
Equipment and furniture	595,249	52,522	(57,640)	590,131
Vehicles	698,079	67,500	(39,491)	726,088
<i>Total capital assets, being depreciated</i>	<u>10,822,474</u>	<u>200,412</u>	<u>(97,131)</u>	<u>10,925,755</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(773,585)	(93,314)	-	(866,899)
Buildings and improvements	(4,158,601)	(203,653)	-	(4,362,254)
Equipment and furniture	(381,142)	(58,175)	57,640	(381,677)
Vehicles	(536,696)	(53,734)	39,491	(550,939)
<i>Total accumulated depreciation</i>	<u>(5,850,024)</u>	<u>(408,876)</u>	<u>97,131</u>	<u>(6,161,769)</u>
Total capital assets, net	<u>\$ 5,071,680</u>	<u>\$ (208,464)</u>	<u>\$ -</u>	<u>\$ 4,863,216</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 247,085
<u>Support Services:</u>	
Instructional staff	4,019
Administration	1,908
Fiscal	1,099
Operations and maintenance	1,266
Pupil transportation	53,734
Central	3,236
Extracurricular activities	95,708
Food service operations	<u>821</u>
Total depreciation expense	<u>\$ 408,876</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

On March 29, 2007, the District entered into lease agreements with Pitney Bowes. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting For Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements. These expenditures are reflected as function expenditures on a budgetary basis. Governmental capital assets acquired by capital lease have been capitalized as equipment in the amount of \$13,037, which is equal to the present value of the future minimum payments at the date of the lease inception. A corresponding liability has been recorded and is presented as a component of long-term liabilities on the statement of net assets. During fiscal 2007, principal payments equaled \$823 and interest payments equaled \$157, for total debt service of \$980. These amounts are reflected as principal retirement and interest and fiscal charges expenditures in the fund financial statements.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007.

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 2,940
2009	2,940
2010	2,940
2011	2,940
2012	<u>1,960</u>
Total future minimum lease payments	13,720
Less: Amount representing interest	<u>(1,506)</u>
Present value of future minimum lease payments	<u>\$ 12,214</u>

NOTE 10 - LEASE-PURCHASE AGREEMENT

On June 27, 2002, the District entered into a \$1,200,000 lease-purchase agreement with the Springfield School Building Corporation (SSBC) for the financing of a new athletic facilities complex including an eight-lane all-weather track, a home grandstand with seating for approximately 2,000 including a press box, a visitor grandstand with seating for approximately 1,000, a band shell structure and grandstand, home and visitor concession buildings with restroom facilities, ticket booths, fencing, and lighting, (hereafter the "Project"). The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2007, the District made principal and interest payments totaling \$116,168 on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded on the statement of net assets. Governmental capital assets consisting of land improvements and buildings and improvements have been capitalized in the amount of \$1,200,000. This amount represents the costs of the Project funded by the lease-purchase agreement that were incurred prior to June 30, 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LEASE-PURCHASE AGREEMENT - (Continued)

The following is a schedule of the future long-term minimum payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2007.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 116,168
2009	116,168
2010	116,168
2011	116,168
2012	116,168
2013 - 2017	<u>580,840</u>
Total minimum lease payments	1,161,680
Less amount representing interest	<u>(262,466)</u>
Total	<u>\$ 899,214</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.

NOTE 11 - 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, 2007 was \$1,489,996.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's general obligation refunding bond activity for fiscal year 2007:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 6/30/2007</u>	<u>Amount Due in One Year</u>
General obligation bonds	06/24/99	12/01/12	\$ 1,759,996	\$ -	\$ (270,000)	\$ 1,489,996	\$ 285,000
Total			<u>\$ 1,759,996</u>	<u>\$ -</u>	<u>\$ (270,000)</u>	<u>\$ 1,489,996</u>	<u>\$ 285,000</u>

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

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	136,459	203,541	340,000
2013	<u>128,537</u>	<u>211,463</u>	<u>340,000</u>
Total	<u>\$ 1,489,996</u>	<u>\$ 531,483</u>	<u>\$ 2,021,479</u>

- C.** During the fiscal year ended June 30, 2007, 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>	<u>Balance at 06/30/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 06/30/07</u>	<u>Amounts Due In One Year</u>
General obligation bonds	\$ 1,759,996	\$ -	\$ (270,000)	\$ 1,489,996	\$ 285,000
Lease purchase agreement	966,475	-	(67,261)	899,214	70,770
Capital lease obligation	-	13,037	(823)	12,214	2,384
Compensated absences	<u>814,477</u>	<u>130,272</u>	<u>(66,759)</u>	<u>877,990</u>	<u>124,726</u>
Total governmental activities	<u>\$ 3,540,948</u>	<u>\$ 143,309</u>	<u>\$ (404,843)</u>	<u>\$ 3,279,414</u>	<u>\$ 482,880</u>

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2007, are a legal voted debt margin of \$11,364,726 (including available funds of \$968,776), a legal unvoted debt margin of \$132,066, and a legal energy conservation debt margin of \$1,188,595.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

The comprehensive commercial coverage limits are \$22,174,257 and a deductible of \$1,000 per occurrence. The inland marine policy has liability limits of \$73,130 on musical instruments, \$37,120 on audio-visual equipment, and \$149,587 on miscellaneous equipment, each 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. In addition, the liability policy has a fire damage limit of \$500,000 for any one fire, and a medical expense limit of \$10,000 for any one person.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There was no reduction in coverage from the prior fiscal year.

B. Mahoning County Employee Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 12 member school districts. The plan was organized to provide 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, 2007

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of 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 13 - 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. 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. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$109,729, \$106,394, and \$126,096; 45.86 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$59,411 represents the unpaid contribution for fiscal year 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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, 2007, 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. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$587,562, \$594,109, and \$572,378; 83.71 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$95,691 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$3,592 made by the District and \$9,393 made by the plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System of Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$45,197 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$54,438 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, 2007

NOTE 14 - 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, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 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. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to 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:

Net Change in Fund Balance	
	<u>General Fund</u>
Budget basis	\$ 419,510
Net adjustment for revenue accruals	123,243
Net adjustment for expenditure accruals	(44,421)
Net adjustment for other financing sources/uses	8,686
Adjustment for encumbrances	57,309
GAAP basis	\$ 564,327

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - 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 other material litigation as either plaintiff or defendant.

NOTE 17 - 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, 2007 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, 2006	\$ (692,982)	\$ -	\$ 57,162
Current year set-aside requirement	183,769	183,769	-
Current year qualifying expenditures	<u>(485,478)</u>	<u>(349,003)</u>	<u>-</u>
Total	<u>\$ (994,691)</u>	<u>\$ (165,234)</u>	<u>\$ 57,162</u>
Balance carried forward to FY2008	<u>\$ (994,691)</u>	<u>\$ -</u>	<u>\$ 57,162</u>

The District had qualifying expenditures 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 qualifying expenditures 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 17 - STATUTORY RESERVES - (Continued)

In addition, the District received monies that are restricted by the State of Ohio for school bus purchases.

A schedule of restricted assets at June 30, 2007 is as follows:

Amount restricted for BWC refunds	\$ 57,162
Amount restricted for school bus purchases	<u>12,066</u>
Total	<u>\$ 69,228</u>

NOTE 18 - 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 2007 was \$1,662,837, including income taxes receivable of \$781,706.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$23,080		\$23,080
Nutrition Cluster:						
School Breakfast Program		10.553	\$ 43,510		\$ 43,510	
National School Lunch Program		10.555	112,119		112,119	
Total Nutrition Cluster			155,629		155,629	
Total U. S. Department of Agriculture			<u>155,629</u>	<u>23,080</u>	<u>155,629</u>	<u>23,080</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)	6BSF-2007	84.027	229,972		229,972	
Total Special Education Cluster			229,972		229,972	
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2006	84.010	0		26,453	
	C1S1-2007		170,465		170,465	
Total Grants to Local Educational Agencies (ESEA Title I)			170,465		196,918	
Innovative Educational Program Strategies	C2S1-2007	84.298	1,726		1,726	
Drug-Free Schools Grant	DRS1-2007	84.186	22,479		22,479	
Education Technology State Grants	TJS1-2007	84.318	1,773		1,773	
Improving Teacher Quality State Grants	TRS1-2006	84.367	5,388		995	
	TRS1-2007		13,684		9,997	
Total Improving Teacher Quality State Grants			19,072		10,992	
Total U. S. Department of Education			<u>445,487</u>		<u>463,860</u>	
Totals			<u><u>\$601,116</u></u>	<u><u>\$23,080</u></u>	<u><u>\$619,489</u></u>	<u><u>\$23,080</u></u>

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



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, Ohio 44442

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated February 26, 2008.

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*.

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

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

Mary Taylor, CPA
Auditor of State

February 26, 2008



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, Ohio 44442

To the Board of Education:

Compliance

We have audited the compliance of Springfield Local School District, Mahoning County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 District'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 District's compliance with those requirements.

In our opinion, the Springfield Local School District, Mahoning County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

February 26, 2008

**SPRINGFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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
OCTOBER 7, 2008**