

SPRINGFIELD CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2005

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Education
Springfield City School District
700 South Limestone Street
Springfield, Ohio 45504

We have reviewed the *Independent Auditor's Report* of the Springfield City School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 6, 2006

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SPRINGFIELD CITY SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
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BUSINESS CONSULTANTS
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Independent Auditor's Report

Board of Education
Springfield City School District
Springfield, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield City School District, Clark County, Ohio (the School District) as of and for the fiscal year ended June 30, 2005, which collectively comprise the School District's basic financial statements. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield City School District, Clark County, Ohio as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2006, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is also not a required part of the basic financial statements of the School District. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio

March 3, 2006

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of the Springfield City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- Total net assets increased \$34,393,253 from fiscal year 2004. This is due primarily to the School District's ongoing involvement with the Ohio School Facilities Commission (OSFC). This project is a \$196 million building project that is scheduled to last until fiscal year 2009.
- General revenues accounted for \$106,031,890 or 80.58 percent of total revenues. Program specific revenues in the form of charges for services and operating grants, contributions, and interest account for \$25,560,380 or 19.42 percent of total revenues of \$131,592,270.
- Total assets of governmental activities increased by \$40,153,929. Capital assets increased by \$42,320,594 due to an increase in construction in process relating to the School District's ongoing construction project.
- The School District had \$97,199,017 in expenses related to governmental activities; only \$25,560,380 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily grants and entitlements and property taxes) of \$106,031,890 were used to provide for these programs.

Using this Basic Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Springfield City School District as a financial whole, an entire operating entity.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. 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 School District's most significant funds with all other non major funds presented in total in one column. The major funds for Springfield City School District are the General Fund, Bond Retirement Debt Service Fund, and the Project Construction Capital Projects Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2005?"

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begin on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds

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

Proprietary Fund

Proprietary funds use the same basis of accounting as business-type activities. The internal service fund is used to report activities that provide services to the School District's other funds and departments.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Fiduciary Funds

The School District's fiduciary funds are a private purpose trust funds and an agency fund. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

Table 1		
Net Assets		
Governmental Activities		
	2005	Restated 2004
ASSETS		
Current Assets	\$ 133,155,507	135,322,172
Capital Assets	135,541,928	93,221,334
Total Assets	268,697,435	228,543,506
LIABILITIES		
Long-Term Liabilities	48,564,367	50,412,814
Other Liabilities	47,034,885	39,425,762
Total Liabilities	95,599,252	89,838,576
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	89,677,352	49,043,216
Restricted	101,487,122	97,017,537
Unrestricted (Deficit)	(18,066,291)	(7,355,823)
Total Net Assets	\$ 173,098,183	138,704,930

Total assets increased \$40,153,929. Capital Assets increased \$42,320,594 due to an increase in construction in progress. Total liabilities increased \$5,760,676 due to the State Solvency Assistance Loan. Total net assets increased \$34,393,253. Invested in Capital Assets, Net of Related Debt increased \$40,634,136 due to the Ohio School Facilities Commission project. The deficit in Unrestricted Net Assets increased \$10,710,468 due to the School District's continued inability to raise additional operating revenues.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: program revenues and general revenues. Program revenues are defined as charges for services, grants, contributions and interest. General revenues include taxes and unrestricted grants, such as State foundation support.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

Table 2
Change in Net Asset
Governmental Activities

	2005	Restated 2004
REVENUES		
Program Revenues:		
Charges for Services	\$ 3,334,656	3,485,604
Operating Grants, Contributions, and Interest	22,225,724	19,855,342
Capital Grants and Contributions	-	198,540
Total Program Revenues	25,560,380	23,539,486
General Revenues:		
Property Taxes	24,615,842	25,859,516
Grants and Entitlements not Restricted to Specific Programs	80,198,142	140,019,853
Investment Earnings	858,021	503,508
Other Revenue	362,885	543,619
Gain on Sale of Capital Assets	-	15,876
Total General Revenues	106,034,890	166,942,372
Total Revenues	131,595,270	190,481,858

(continued)

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2
Change in Net Asset
Governmental Activities
(continued)

	2005	Restated 2004
EXPENSES		
Program Expenses:		
Instruction:		
Regular	38,963,518	36,846,372
Special	11,766,949	11,725,667
Vocational	1,794,228	2,323,567
Adult/Continuing	395,631	202,792
Support Services:		
Pupils	6,894,879	6,861,413
Instructional Staff	6,831,213	7,207,144
Board of Education	181,699	392,249
Administration	5,992,740	6,928,131
Fiscal	3,962,710	3,272,553
Business	957,953	1,201,799
Operation and Maintenance of Plant	6,652,455	6,578,316
Pupil Transportation	2,484,613	2,725,146
Central	915,191	1,036,171
Operation of Non-Instructional Services	5,149,998	4,799,853
Extracurricular Activities	1,148,440	1,480,126
Intergovernmental	76,503	80,370
Interest and Fiscal Charges	2,756,565	2,048,617
Unallocated Depreciation	273,732	1,122,242
Total Expenses	97,199,017	96,832,528
Increase in Net Assets	34,396,253	93,649,330
Net Assets, Beginning of Year, Restated (See Note 3)	138,704,930	45,055,600
Net Assets, End of Year	\$ 173,101,183	138,704,930

Grants and entitlements not restricted to specific programs made up 60.94 percent of the total revenues for governmental activities of the Springfield City School District for fiscal year 2005. Property tax revenues made up 18.70 percent of the total revenues for governmental activities for a total of 79.64 percent of all revenues coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction makes up 40.09 percent of governmental program expenses. Support services expenses make up 35.88 percent of governmental program expenses.

Operating grants, contributions and interest increased \$2,370,382 due to an increase in funding for the federal programs. Grants and entitlements not restricted to specific programs decreased \$59,821,711 due to the School District spending a large portion of the Ohio School Facilities monies during the fiscal year.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants, contributions, and interest offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total cost is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent charges for services, grants, contributions, and interest.

Table 3
Governmental Activities

	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Instruction	\$ 52,920,326	51,098,398	38,607,299	37,287,788
Support Services	34,873,453	36,202,922	29,150,170	31,698,295
Operation of Non-Instructional Services	5,149,998	4,799,853	212,747	443,352
Extracurricular Activities	1,148,440	1,480,126	633,681	874,052
Intergovernmental	76,503	80,370	4,443	80,370
Interest and Fiscal Charges	2,756,565	2,048,617	2,756,565	2,048,617
Unallocated Depreciation	<u>273,732</u>	<u>1,122,242</u>	<u>273,732</u>	<u>1,122,242</u>
Total Expenses	\$ <u>97,199,017</u>	<u>96,832,528</u>	<u>71,638,637</u>	<u>73,554,716</u>

The School District's Funds

Information about the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$129,581,466 and expenditures of \$142,836,424. The net change in fund balances was most significant in the General Fund and the Project Construction Capital Projects Fund, with a decrease of \$6,350,972 and a decrease of \$6,242,357, respectively. The decrease in the General Fund is due to a relative stagnant revenue stream, while at the same time, expenditures continue to increase. The decrease in the Project Construction Capital Projects Fund is due to the ongoing construction of the new facilities.

General Fund Budgeting Highlights

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

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

During the course of fiscal year 2005, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 20, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, original budget basis revenues were \$57,218,245 with final budget basis revenues of \$65,035,992. The difference of \$7,817,747 was due primarily to the School District receiving notification of grants being awarded late in the school year.

Original budget basis appropriations were \$69,441,080 with final budget basis appropriations of \$73,468,294. The difference of \$4,027,214 was due primarily to the School District being unable to increase appropriations until the receipt of additional funding.

The School District's ending unobligated cash balance was \$542,507 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$135,541,928 invested in land, construction in progress, buildings, furniture and equipment, and vehicles in governmental activities.

Table 4 shows fiscal year 2005 balances compared to 2004:

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

	<u>2005</u>	<u>2004</u>
Land	\$ 12,008,276	12,008,276
Construction in Progress	119,426,250	76,454,557
Buildings	2,045,485	2,319,217
Furniture and Equipment	1,817,608	2,089,136
Vehicles	<u>244,309</u>	<u>350,148</u>
Total Expenses	\$ <u>135,541,928</u>	<u>93,221,334</u>

The primary increase was due to construction in progress. (See Note 9 in the Notes to the Basic Financial Statements).

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Debt

At June 30, 2005, the School District had total bonded debt outstanding in the amount of \$43,102,170, which includes \$2,650,505 of accretion. \$2,700,000 of the total bonded debt outstanding is due within one year. The School District also had capital lease obligations outstanding of \$1,121,324, of which \$126,671 is due within one year. Table 5 summarizes the bonds and capital leases outstanding.

Table 5
Outstanding Debt, at Fiscal Year-End
Governmental Activities

	2005	2004
General Obligation Bonds		
1997 School Improvement Refunding Bonds	\$ 9,881,545	9,063,669
2001 Classroom Facilities Assistance Bonds	33,220,625	33,977,996
Capital Leases	1,121,324	1,241,903
Total	\$ 44,223,494	44,283,568

1997 School Improvement Refunding Bonds – On December 1, 1996, Springfield City School District issued general obligation bonds in the amount of \$17,073,669 to defease the School Improvement obligation bonds. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. The bonds were issued for a sixteen-year period with final maturity during 2013. These bonds will be retired from the Bond Retirement Debt Service Fund.

2001 Classroom Facilities Assistance General Obligation Bonds – On May 23, 2001, the School District issued \$38,102,996 in voted general obligation bonds for the purpose of acquiring land, constructing 15 new classroom facilities and two major renovations. The bonds were issued for a twenty-three year period with final maturity in December 2023. The bonds will be retired from the Bond Retirement Debt Service Fund.

The School District entered into a capital lease agreement during the fiscal year ended June 30, 2004, for food service equipment.

As of June 30, 2005, the overall legal debt margin was \$31,191,067 with an unvoted debt margin of \$6,324,192. (See Note 15 in the Notes to the Basic Financial Statements).

Current Financial Issues and Concerns

During the past several years expenditures have outpaced revenues in the School District, resulting in a continuing decline in the General Fund cash reserve. The deficit is due in large part to a relatively stagnant revenue stream while, at the same time, expenditures continue to increase.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

During the past four years the School District has experienced an increasing number of students leaving the School District to attend publicly funded community schools. According to the Ohio Department of Education's SF-3 for June 30, 2005, 565 students opted to leave the Springfield City School District to attend community schools. The loss of these students resulted in a decline of \$3,930,350 (cash basis) in State foundation payments during the fiscal year. Additionally, the School District lost \$1,679,048 (cash basis) to other public school districts in Ohio when over 310 students chose to attend schools other than their respective school of residence pursuant to Ohio's open enrollment statutes.

The Board of Education submitted to the voters of the School District an 8.99 mill emergency operating levy in February, 2005, which the voters rejected. The failure of this levy resulted in the School District borrowing \$7.5 million from the State of Ohio Solvency Assistance Loan Fund.

In February 2005, the Ohio Department of Education requested that the School District be placed in a state of "fiscal emergency", which requires fiscal monitoring by the Springfield City School District Financial Planning and Oversight Commission. Additionally, the Auditor of State's office has completed a Performance Audit released October 15, 2005; which suggests various menu items of \$50 million in cuts for the School District to consider. Obviously, the School District could not make all of the cuts listed which are composed of options which are not mutually exclusive in many cases. The cuts are designed to be options for the School District to consider in "right-sizing" itself in responding to the loss of students.

The Board of Education submitted to the voters of the School District a 10.88 mill emergency operating levy on the November 8, 2005 ballot. This ballot issue was unsuccessful. Therefore, the Board of Education has laid out a plan of extensive cuts totaling \$1.4 million for fiscal year 2006 and \$4.7 million for fiscal year 2007, which fulfills the request of the Springfield City School District Financial Planning and Oversight Commission. Additionally, it is likely that the Springfield City School District Financial Planning and Oversight Commission may request the School District to make additional cuts in the finances to ease the burden of borrowing and repayment of the State of Ohio Solvency Assistance Loan. The School District currently owes \$3.7 million in fiscal year 2006 and fiscal year 2007 to cover the deficit from fiscal year 2005.

The Board of Education submitted to the voters of the School District a 9.0 mill emergency operating levy on February 7, 2006 ballot. This ballot was successful. The successful passage will generate an additional \$6,462,900 per year for the School District with the first collection occurring in calendar year 2007. With the passage of the levy, it is projected that the School District could end fiscal year 2006 without a deficit with tax anticipation notes borrowing.

The School District had a 7.0 mill General Fund operating levy in place that expired in 2004 – in which the last collection year was 2005. The Board of Education placed the renewal of this levy before the voters in May 2005, and it passed.

The School District continues to monitor the exodus of its students to community schools and to other public schools pursuant to Ohio's open enrollment statutes. Various initiatives are underway to address the concerns of students and their parents who opt to leave the Springfield City School District. At the same time, the School District continues to assess the level of service required for the declining student population – attempting to "right-size" the School District to provide for the educational needs of those students remaining.

SPRINGFIELD CITY SCHOOL DISTRICT

CLARK COUNTY, OHIO

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

The Ohio Supreme Court has relinquished jurisdiction of the long-running Ohio School Finance litigation of *DeRolph vs. Ohio*, and has indicated that it is the obligation of the Ohio Legislature to determine an adequate level of funding for Ohio schools. To that end, Governor Robert Taft has commissioned a "Blue Ribbon Panel" to study the funding of Ohio's public schools and to make recommendations to him relating thereto.

The School District is engaged in an extensive building project. The School District is building ten new elementary buildings; four new middle schools; a new alternative school and one new high school. The voters of the Springfield City School District approved a \$38.1 million bond issue in November, 2000, which allowed the School District to contribute 18 percent of the total cost of the \$165 million building project. The State of Ohio is contributing the remaining 82 percent. During fiscal year 2005 the School District spent \$42,971,693. The elementary, middle and alternative schools are expected to be completed prior to the end of 2006.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Springfield City School District, 700 South Limestone Street, Springfield, Ohio 45504 or call (937) 505-2812.

SPRINGFIELD CITY SCHOOL DISTRICT

CLARK COUNTY, OHIO

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 36,126,061
Receivables:	
Taxes	27,021,717
Accounts	5,471
Intergovernmental	68,476,492
Accrued Interest	54,562
Materials and Supplies Inventory	28,455
Deferred Charges	99,900
Restricted Assets:	
Cash and Cash Equivalents with Escrow Agent	1,342,849
Capital Assets:	
Capital Assets not subject to depreciation:	
Land	12,008,276
Construction In Progress	119,426,250
Capital Assets, net of accumulated depreciation	<u>4,107,402</u>
 Total Assets	 \$ <u>268,697,435</u>
LIABILITIES:	
Accounts Payable	630,894
Contracts Payable	2,987,890
Payable from Restricted Assets:	
Contracts Payable - Retainage	1,342,849
Accrued Wages and Benefits	8,972,589
Intergovernmental Payable	4,604,926
Matured Compensated Absences Payable	123,754
Claims Payable	1,149,469
Accrued Interest Payable	152,875
Deferred Revenue	17,263,784
Special Termination Benefits Payable	2,251,855
State Solvency Assistance Loan Payable	7,554,000
Noncurrent Liabilities:	
Due Within One Year	3,470,042
Due In More Than One Year	<u>45,094,325</u>
Total Liabilities	<u>95,599,252</u>
NET ASSETS:	
Invested in capital assets, net of related debt	89,677,352
Restricted for:	
Debt Service	5,687,493
Capital Projects	87,299,155
Other Purposes	7,637,757
Set-Asides	862,717
Unrestricted	<u>(18,066,291)</u>
 Total Net Assets	 \$ <u>173,098,183</u>

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2005

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 38,963,518	1,429,256	3,907,081	(33,627,181)
Special	11,766,949	-	8,027,989	(3,738,960)
Vocational	1,794,228	-	600,276	(1,193,952)
Adult/Continuing	395,631	6,403	342,022	(47,206)
Support Services:				
Pupils	6,894,879	-	1,913,375	(4,981,504)
Instructional Staff	6,831,213	-	2,989,916	(3,841,297)
Board of Education	181,699	-	-	(181,699)
Administration	5,992,740	-	324,333	(5,668,407)
Fiscal	3,962,710	-	23,570	(3,939,140)
Business	957,953	-	-	(957,953)
Operation and Maintenance of Plant	6,652,455	57,736	5,124	(6,589,595)
Pupil Transportation	2,484,613	-	313,396	(2,171,217)
Central	915,191	7,617	88,216	(819,358)
Operation of Non-Instructional Services	5,149,998	1,332,190	3,605,061	(212,747)
Extracurricular Activities	1,148,440	501,454	13,305	(633,681)
Intergovernmental	76,503	-	-	(76,503)
Interest and Fiscal Charges	2,756,565	-	-	(2,756,565)
Unallocated Depreciation *	273,732	-	72,060	(201,672)
Total	\$ 97,199,017	3,334,656	22,225,724	(71,638,637)
General Revenues and Special Items:				
Property Taxes Levied for:				
General Purposes				18,628,557
OSFC Maintenance				278,825
Debt Service				4,902,617
Capital Outlay				802,843
Grants, Entitlements and Contributions not				
Restricted to Specific Programs				80,198,142
Investment Earnings				858,021
Other Revenue				362,885
			Total General Revenues and Special Items	106,031,890
			Change in Net Assets	34,393,253
			Net Assets, Beginning of Year, as restated	138,704,930
			Net Assets, End of Year	\$ 173,098,183

* - This amount excludes the depreciation that is included in the direct expense of the various functions.

See accompanying notes to the basic financial statements.

**SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO**

Balance Sheet
Governmental Funds
June 30, 2005

	General Fund	Debt Service Fund	Project Construction Fund	Nonmajor Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ -	4,912,006	17,914,748	9,895,758
Receivables:				
Taxes	19,965,499	5,834,831	-	1,221,387
Accounts	3,045	-	-	2,426
Intergovernmental	163,072	-	64,657,888	3,655,532
Accrued Interest	21,263	-	33,299	-
Interfund	-	-	-	26,785
Materials and Supplies Inventory	-	-	-	28,455
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	806,213	-	-	-
Restricted Cash and Cash Equivalents with Escrow Agent	-	-	1,342,849	-
Total Assets	<u>\$ 20,959,092</u>	<u>10,746,837</u>	<u>83,948,784</u>	<u>14,830,343</u>
LIABILITIES:				
Accounts Payable	\$ 218,103	-	-	412,791
Contracts Payable	-	-	2,953,790	34,100
Contracts Payable - Retainage	-	-	1,342,849	-
Accrued Wages and Benefits	7,320,911	-	-	1,651,678
Intergovernmental Payable	3,712,578	-	-	892,348
Interfund Payable	-	-	-	26,785
Matured Compensated Absences Payable	123,754	-	-	-
Deferred Revenue	15,661,952	5,156,561	63,556,818	3,913,848
Special Termination Benefits Payable	2,251,855	-	-	-
State Solvency Assistance Loan Payable	<u>7,554,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>36,843,153</u>	<u>5,156,561</u>	<u>67,853,457</u>	<u>6,931,550</u>
FUND BALANCES:				
Reserved for:				
Encumbrances	189,585	-	10,715,858	1,086,137
Property Taxes	4,315,746	678,270	-	187,574
Textbooks and Instructional Materials	862,717	-	-	-
School Bus Purchases	21,732	-	-	-
Unreserved, Undesignated:				
General Fund	(21,273,841)	-	-	-
Special Revenue Funds	-	-	-	3,771,681
Debt Service	-	4,912,006	-	-
Capital Projects Funds	-	-	5,379,469	2,853,401
Total Fund Balances	<u>(15,884,061)</u>	<u>5,590,276</u>	<u>16,095,327</u>	<u>7,898,793</u>
Total Liabilities and Fund Balances	<u>\$ 20,959,092</u>	<u>10,746,837</u>	<u>83,948,784</u>	<u>14,830,343</u>

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General Fund	Debt Service Fund	Project Construction Fund	Nonmajor Governmental Funds
REVENUES:				
Taxes	\$ 17,760,157	4,840,906	-	1,044,112
Intergovernmental	49,046,384	656,454	34,734,035	16,908,089
Investment Earnings	231,888	25,499	494,313	58,207
Tuition and Fees	1,387,062	-	-	445,030
Charges for Services	20,580	-	-	990,626
Contributions and Donations	210	-	-	88,603
Extracurricular Activities	46,983	-	-	433,891
Rentals	10,484	-	-	-
Miscellaneous	221,376	-	4,850	131,727
	<u>68,725,124</u>	<u>5,522,859</u>	<u>35,233,198</u>	<u>20,100,285</u>
Total Revenues				
EXPENDITURES:				
Current:				
Instruction:				
Regular	35,102,618	-	-	4,055,415
Special	7,434,559	-	-	4,060,940
Vocational	1,621,026	-	-	113,953
Adult/Continuing	39,095	-	-	358,018
Support Services:				
Pupils	5,190,728	-	-	1,637,533
Instructional Staff	3,958,739	-	-	3,208,048
Board of Education	183,043	-	-	-
Administration	5,959,519	-	-	340,310
Fiscal	3,999,497	-	-	62,457
Business	1,041,009	-	-	-
Operation and Maintenance of Plant	6,692,878	-	-	284,402
Pupil Transportation	2,368,283	-	-	40,359
Central	697,774	-	-	167,112
Operation of Non-Instructional Services	74,939	-	-	5,120,810
Extracurricular Activities	643,683	-	-	504,157
Intergovernmental	-	-	-	76,503
Capital Outlay	-	-	41,475,555	1,496,138
Debt Service:				
Principal	-	2,590,000	-	120,579
Interest	68,706	1,985,079	-	62,960
	<u>75,076,096</u>	<u>4,575,079</u>	<u>41,475,555</u>	<u>21,709,694</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(6,350,972)</u>	<u>947,780</u>	<u>(6,242,357)</u>	<u>(1,609,409)</u>
OTHER FINANCING SOURCES:				
Transfers In	-	-	-	677,475
Transfers Out	-	(677,475)	-	-
	<u>-</u>	<u>(677,475)</u>	<u>-</u>	<u>677,475</u>
Total Other Financing Sources				
Net Change in Fund Balances	(6,350,972)	270,305	(6,242,357)	(931,934)
Fund Balance (Deficit), Beginning of Year	<u>(9,533,089)</u>	<u>5,319,971</u>	<u>22,337,684</u>	<u>8,830,727</u>
Fund Balance (Deficit), End of Year	\$ <u>(15,884,061)</u>	<u>5,590,276</u>	<u>16,095,327</u>	<u>7,898,793</u>

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK 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, 2005

<p>Total Governmental Funds</p> <hr/> <p>23,645,175 101,344,962 809,907 1,832,092 1,011,206 88,813 480,874 10,484 357,953</p> <hr/> <p>129,581,466</p>	<p>Total Net Change in Fund Balances - Total Governmental Funds</p> <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Capital Asset Additions</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 40%; text-align: right;">67,047</td> </tr> <tr> <td>Construction in Progress additions</td> <td></td> <td style="text-align: right;">42,971,693</td> </tr> <tr> <td>Depreciation Expense</td> <td></td> <td style="text-align: right;"><u>(718,146)</u></td> </tr> </table> <p style="text-align: right;">Excess of capital outlay over depreciation expense</p> <p>Because some revenues will not be collected for several months after the School District's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Delinquent Property Taxes</td> <td style="width: 10%; text-align: right;">967,667</td> </tr> <tr> <td>Intergovernmental</td> <td style="text-align: right;">952,460</td> </tr> <tr> <td>Interest</td> <td style="text-align: right;"><u>45,498</u></td> </tr> </table> <p>Governmental funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Amortization of Bond Issuance Costs</td> <td style="width: 10%; text-align: right;">(5,550)</td> </tr> <tr> <td>Amortization of Bond Premium</td> <td style="text-align: right;"><u>18,447</u></td> </tr> </table> <p>The Internal Service fund is used by management to charge the cost of insurance to the individual funds is reported in the entity-wide Statement of Activities.</p> <p>Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bond Principal Retirement</td> <td style="width: 10%; text-align: right;">2,590,000</td> </tr> <tr> <td>Capital Lease Payments</td> <td style="text-align: right;"><u>120,579</u></td> </tr> </table> <p style="text-align: right;">Total Long-Term Debt Payment</p> <p>Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Increase in Compensated Absences Payable</td> <td style="width: 10%; text-align: right;">(429,963)</td> </tr> <tr> <td>Increase in Accrued Interest</td> <td style="text-align: right;">(152,875)</td> </tr> <tr> <td>Decrease in Intergovernmental Payable</td> <td style="text-align: right;">922,177</td> </tr> <tr> <td>Accretion on Bonds</td> <td style="text-align: right;"><u>(499,842)</u></td> </tr> </table> <p style="text-align: right;">Total Increase/Decrease</p>	Capital Asset Additions	\$	67,047	Construction in Progress additions		42,971,693	Depreciation Expense		<u>(718,146)</u>	Delinquent Property Taxes	967,667	Intergovernmental	952,460	Interest	<u>45,498</u>	Amortization of Bond Issuance Costs	(5,550)	Amortization of Bond Premium	<u>18,447</u>	Bond Principal Retirement	2,590,000	Capital Lease Payments	<u>120,579</u>	Increase in Compensated Absences Payable	(429,963)	Increase in Accrued Interest	(152,875)	Decrease in Intergovernmental Payable	922,177	Accretion on Bonds	<u>(499,842)</u>	<p>\$ (13,254,958)</p> <p>42,320,594</p> <p>1,965,625</p> <p>12,897</p> <p>799,019</p> <p>2,710,579</p> <p>2,710,579</p> <p>(160,503)</p> <p>\$ 34,393,253</p>
Capital Asset Additions	\$	67,047																															
Construction in Progress additions		42,971,693																															
Depreciation Expense		<u>(718,146)</u>																															
Delinquent Property Taxes	967,667																																
Intergovernmental	952,460																																
Interest	<u>45,498</u>																																
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Accretion on Bonds	<u>(499,842)</u>																																
<p>(13,254,958)</p> <p>677,475</p> <p><u>(677,475)</u></p> <p>-</p> <p>(13,254,958)</p> <p>26,955,293</p> <hr/> <p>13,700,335</p>	<p>See accompanying notes to the basic financial statements.</p>																																

**SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO**

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property Taxes	\$ 16,075,246	16,075,246	14,555,997	(1,519,249)
Intergovernmental	39,593,985	47,119,593	48,904,180	1,784,587
Interest	151,589	180,402	187,234	6,832
Tuition and Fees	1,165,389	1,386,893	1,439,420	52,527
Extracurricular Activities	38,038	45,269	46,983	1,714
Rentals	8,488	10,101	10,484	383
Charges for Services	16,662	19,829	20,580	751
Contributions and Donations	170	202	210	8
Miscellaneous	168,678	198,457	205,519	7,062
<i>Total Revenues</i>	<u>57,218,245</u>	<u>65,035,992</u>	<u>65,370,607</u>	<u>334,615</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	60,485,832	63,993,689	34,215,619	29,778,070
Special	90,944	96,218	7,254,179	(7,157,961)
Vocational	156,890	165,989	1,714,161	(1,548,172)
Adult/Continuing	-	-	36,676	(36,676)
Support Services:				
Pupils	114,374	121,007	5,138,047	(5,017,040)
Instructional Staff	70,752	74,855	3,968,250	(3,893,395)
Board of Education	324,445	343,261	352,255	(8,994)
Administration	295,968	313,133	5,852,448	(5,539,315)
Fiscal	2,533,725	2,680,668	3,339,552	(658,884)
Business	527,635	558,235	1,083,569	(525,334)
Operation and Maintenance of Plant	4,274,421	4,522,315	6,535,603	(2,013,288)
Pupil Transportation	307,772	325,621	2,360,746	(2,035,125)
Central	219,060	231,764	667,771	(436,007)
Operation of Non-Instructional Services	3,131	3,313	87,593	(84,280)
Extracurricular Activities	36,131	38,226	654,284	(616,058)
<i>Total Expenditures</i>	<u>69,441,080</u>	<u>73,468,294</u>	<u>73,260,753</u>	<u>207,541</u>
Excess of Revenues Over/(Under) Expenditures	<u>(12,222,835)</u>	<u>(8,432,302)</u>	<u>(7,890,146)</u>	<u>542,156</u>
OTHER FINANCING SOURCES:				
Proceeds from Sale of Notes	3,700,000	3,700,000	3,700,000	-
State Solvency Assistance Loan Issued	7,554,000	7,554,000	7,554,000	-
Refund of Prior Year Expenditures	7,860	7,860	7,860	-
Refund of Prior Year Receipts	(6,706)	(6,706)	(6,355)	351
<i>Total Other Financing Sources (Uses)</i>	<u>11,255,154</u>	<u>11,255,154</u>	<u>11,255,505</u>	<u>351</u>
Net Change in Fund Balance	(967,681)	2,822,852	3,365,359	542,507
Fund Balance, Beginning of Year	(3,248,289)	(3,248,289)	(3,248,289)	-
Prior Year Encumbrances Appropriated	426,689	426,689	426,689	-
Fund Balance, End of Year	<u>\$ (3,789,281)</u>	<u>1,252</u>	<u>543,759</u>	<u>542,507</u>

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Statement of Fund Net Assets
Internal Service Fund
June 30, 2005

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 2,597,336
LIABILITIES:	
Claims Payable	<u>1,149,469</u>
NET ASSETS:	
Unrestricted	\$ <u><u>1,447,867</u></u>

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 8,179,134
Miscellaneous Revenues	<u>4,932</u>
Total Operating Revenues	<u>8,184,066</u>
OPERATING EXPENSES:	
Purchased Services	703,419
Claims	<u>6,721,875</u>
Total Operating Expenses	<u>7,425,294</u>
Operating Income	758,772
NON-OPERATING REVENUES:	
Investment Earnings	<u>40,247</u>
Change in Net Assets	799,019
Net Assets, Beginning of Year	<u>648,848</u>
Net Assets, End of Year	\$ <u><u>1,447,867</u></u>

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

	Governmental Activities
	Self-Insurance Fund
Increase in Equity in Pooled Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Receipts from Interfund Services Provided	\$ 8,179,134
Receipts from Other Sources	4,932
Cash Payments to Suppliers for Goods and Services	(703,419)
Cash Payments for Claims	(6,956,862)
Net Cash Provided by Operating Activities	523,785
Cash Flows from Investing Activities:	
Investment Earnings	40,247
Net Increase in Equity in Pooled Cash and Cash Equivalents	564,032
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	2,033,304
Equity in Pooled Cash and Cash Equivalents, End of Year	\$ 2,597,336
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Income	\$ 758,772
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Liabilities:	
Decrease in Claims Payable	(234,987)
Net Cash Provided for Operating Activities	\$ 523,785

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Scholarship Private- Purpose Trust Fund	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>61,186</u>	<u>103,891</u>
LIABILITIES:		
Due to Students	<u>-</u>	<u>103,891</u>
NET ASSETS:		
Restricted:		
Nonexpendable	10,000	
Unrestricted:		
Held in Trust for Trust Beneficiaries	<u>51,186</u>	
Total Net Assets	\$ <u>61,186</u>	

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

	Scholarship Private- Purpose Trust Fund
ADDITIONS:	
Investment Earnings	\$ 1,216
Other Revenue	<u>1,930</u>
Total Additions	<u>3,146</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>3,100</u>
Total Deductions	<u>3,100</u>
Change in Net Assets	46
Net Assets, Beginning of Year	<u>61,140</u>
Net Assets, End of Year	\$ <u>61,186</u>

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Springfield City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The first official body designated as the Springfield Board of Education was formed on April 28, 1855. The School District provides educational services as authorized by State statute and federal guidelines.

The Board controls the School District's 20 instructional/support facilities staffed by 286 non-certificated employees, 630 certificated full-time teaching personnel and 36 administrative employees who provide services to 8,924 students and other community members.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The following activities are included within the reporting entity:

Parochial Schools - Within the School District boundaries, Catholic Central, St. Bernard, Holy Trinity Catholic School, St. Teresa, Springfield Christian, and Nightingale Montessori School are operated as private schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a nonmajor special revenue fund for financial reporting purposes.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are the Clark County Family and Children First Council, the Southwestern Ohio Educational Purchasing Council, the Springfield/Clark County Joint Vocational School, and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

On February 28, 2005 the School District was placed in “Fiscal Emergency” status by the Auditor of State of Ohio because the School District attempted, but failed to develop a financial recovery plan to address the School District’s deteriorating financial condition. Fiscal emergency is the most severe declaration regarding a schools district’s financial solvency. This situation prompts the creation of a commission to develop a financial recovery plan to alleviate the School District’s financial crisis. The commission must adopt and submit the financial recovery plan to the Ohio Department of Education within 120 days. The plan was adopted and submitted on June 3, 2005. On September 1, 2005, the commission revised the recovery plan and resubmitted it to the Ohio Department of Education.

The duties of the commission include:

- Adopting a financial recovery plan to eliminate the fiscal emergency condition, balancing the budget, avoiding future deficits, and restoring the School District’s ability to market long-term obligations.
- Assuming any powers of the School Board it considers necessary, including those related to personnel, curriculum, and legal issues.
- Requiring the School Board to establish monthly levels of expenditures and obligations consistent with the recovery plan.

The Auditor of State of Ohio will review the financial operation of the School District and report deficiencies and suggestions for improvement to the commission and the School Board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District’s basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The government-wide financial statements usually distinguish between activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

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

Fund Financial Statements

Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All funds of the School District fall within three categories: governmental, proprietary and fiduciary.

Governmental Funds:

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

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Bond Retirement Fund - The Bond Retirement Debt Service Fund is used to account for financial resources, including property taxes, for the repayment of principal, interest and related costs of general long-term obligations.

Project Construction Fund - The Project Construction Capital Projects Fund is used to account for all financial resources in connection with contracts entered into by the School District and the Ohio Schools Facilities Commission for the school facilities projects.

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund - The Internal Service Fund is used to account for medical benefits provided to employees.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two private purpose trust funds, one is to provide scholarships to its students and the other is an endowment to be used to provide scholarship to its students, and one agency fund, used to account for student activity programs which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The Statement of Revenue, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property 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 7). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District utilizes a financial institution to hold retainage amounts still owed to contractors. The balance in this account is presented on the financial statements as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent."

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2005, the School District's investments were limited to STAROhio, Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Discount Notes, and money market mutual funds. Investments are reported at fair value which is based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$231,888, all of which was earned by other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash and cash equivalents.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials and unexpended revenues restricted for the purchase of buses.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of materials and supplies held for consumption and donated and purchased food.

H. Capital Assets

The School District's only capital assets are general assets. General 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.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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>Estimated Lives</u>
Buildings	40 years
Furniture and equipment	7 - 20 years
Vehicles	7 years

I. Interfund Balances

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On the 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. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Long-term loans, bonds, and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

L. Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

Bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest accrued during the year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

M. Fund Balance Reserves

The School 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, property taxes, textbooks and instructional materials, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2005.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for textbooks and instructional materials, food service operations, capital grants used for the construction of new facilities, and federal and State grants restricted to expenditures for specified purposes.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government-wide Statement of Net Assets reports \$101,487,122 of restricted net assets, of which \$8,545,216 is restricted by enabling legislation.

O. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements.

P. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Q. Estimates

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

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS

For fiscal year 2005, omissions were discovered that related to accretion and deferred charges on existing debt. The School District has implemented GASB Statement No. 40, “*Deposit and Investment Risk Disclosure*,” GASB Statement No. 46, “*Net Assets Restricted by Enabling Legislation*,” and GASB Technical Bulletin No. 2004-2, “*Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.”

GASB Statement No. 40 establishes new disclosure requirements for deposit and investment risks. The implementation of this statement had no effect on the School District’s financial statement for fiscal year 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School District’s financial statements for fiscal year 2005.

	Governmental Activities
Net Assets, June 30, 2004	\$ 140,750,143
Restatement of Accretion	(2,150,663)
Restatement of Deferred Charges	105,450
Net Assets, June 30, 2004, as Restated	\$ <u>138,704,930</u>

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2005, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 15,884,061
Mental Health-Early Start	11,097
Basic Education Foundaiton	22,963
Alternative School	13,524
Adult Basic Education	17,926
Title VI-B	163,872
Title I	19,052
Drug Free School	12,830
Preschool Grant	10,764
Title VI-R	99,412
Miscellaneous Federal Grants	56,377

The General Fund deficit fund balance exists because sufficient revenues have not been generated to cover expenditures. The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The General Fund had original appropriations in excess of original revenues and available fund balances in the amount of \$3,789,281. The School District will monitor budgetary controls more closely and ensure that documents are filed with the County Auditor in a timely manner in the future to alleviate such compliance issues.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.
5. Change in the fair value of investments is not included on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.
6. Proceeds from short-term obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$ (6,350,972)
Adjustments:	
Revenue Accruals	(1,280,435)
Expenditure Accruals	2,057,293
Proceeds of Notes	3,700,000
Proceeds of Loan	7,554,000
Encumbrances	(248,305)
Change in Fair Value of Investments - 2004	(25,705)
Unrecorded Cash - 2004	(2,054,666)
Change in Fair Value of Investments - 2004	(3,832)
Unrecorded Cash - 2004	17,981
Budget Basis	\$ 3,365,359

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$5,288,086 of the School District's bank balance of \$5,558,086 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool except monies held by escrow agent for retainage payable.

	Fair Value	Investment Maturities (in years)	
		Less than 1	1 - 2
STAROhio	\$ 17,665,639	17,665,639	-
Federal National Mortgage Association Bonds	1,990,048	1,990,048	-
Federal Home Loan Bank Bonds	7,691,280	4,453,650	3,237,630
Federal Home Loan Mortgage Corporation Discount Notes	1,489,076	1,489,076	-
Money Market Mutual Funds	136,813	136,813	-
	<u>\$ 28,972,856</u>	<u>25,735,226</u>	<u>3,237,630</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than five years from the date of investment.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

The Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Discount Notes and Money Market Mutual Funds carry a rating of AAA by Moody's, Standard and Poor's, and Fitch. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Discount Notes and Money Market Mutual Funds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District's investment policy does not address investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk

The School District's investment policy provides that the School District will diversify its investments in securities by maturity, issue, and class. The School District's investments in Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Discount Notes and Money Market Mutual Funds represents 6.87 percent, 26.55 percent, 5.14 percent and .47 percent, respectively, of the School District's total investments. The remaining 60.97 percent is invested in StarOhio.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 - PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the 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, 2005 and for which there is an enforceable legal claim. On the governmental fund financial statements, the entire receivable for property taxes has been deferred since the current taxes were not levied to finance fiscal year 2005 operations and the collection of the delinquent taxes during the available period is not subject to reasonable estimation.

The amount available as an advance at June 30, 2005, was \$5,181,590 and is recognized as revenue: \$4,315,746 in the General Fund, \$678,270 in the Bond Retirement Debt Service Fund, \$141,976 in the Permanent Improvement Capital Projects Fund and \$45,598 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2004, was \$3,021,578 and was recognized as revenue: \$2,831,792 in the General Fund, \$120,928 in the Bond Retirement Debt Service Fund, \$55,140 in the Permanent Improvement Capital Projects Fund and \$13,719 in the Classroom Facilities Maintenance Special Revenue Fund. 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 CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 579,442,920	84.91%	637,416,610	86.85%
Public Utility	33,044,150	4.84%	33,232,500	4.53%
Tangible Personal Property	<u>69,923,550</u>	<u>10.25%</u>	<u>63,267,070</u>	<u>8.62%</u>
 Total Assessed Value	 \$ <u>682,410,620</u>	 <u>100.00%</u>	 <u>733,916,180</u>	 <u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 <u>\$57.65</u>		 <u>\$56.55</u>	

The decrease in the tax rate was made by the County Auditor due to the over collection of monies for the retirement of the 1997 School Improvement Refunding Bonds.

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SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 8 - RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the Ohio School Facilities Commission grant. These grant monies will be collected over the life of the construction of the new facilities.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Cleveland City School District	\$ 6,642
Greenon Local School District	2,226
Clark County	154,204
Food Service - Federal Reimbursements	513,697
Classroom Facilities	64,657,888
Mental Health/Early Start	20,925
Basic Education Foundation	6,940
Bridges to the Future	21,586
Teacher Development	70,674
Ohio Reads	18,197
Summer Reading Intervention	107,348
Alternative School	1,963
Adult Basic Education	76,985
Title VI-B	818,198
Title III	9,706
Title I	1,534,700
Title VI	5,656
Drug Free School Grant	47,768
Preschool Grant	34,293
Title VI-R	190,361
Miscellaneous Federal Grants	<u>176,535</u>
Total Intergovernmental Receivable	\$ <u>68,476,492</u>

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SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance,</u> <u>6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2005</u>
<u>Capital Assets,</u>				
<u>not being depreciated:</u>				
Land	\$ 12,008,276	-	-	12,008,276
Construction in Progress	<u>76,454,557</u>	<u>42,971,693</u>	<u>-</u>	<u>119,426,250</u>
Total Capital Assets, not being depreciated	<u>88,462,833</u>	<u>42,971,693</u>	<u>-</u>	<u>131,434,526</u>
<u>Capital Assets,</u>				
<u>being depreciated:</u>				
Buildings	44,822,567	-	(7,437,955)	37,384,612
Furniture and Equipment	6,106,988	37,622	-	6,144,610
Vehicles	<u>2,445,560</u>	<u>29,425</u>	<u>-</u>	<u>2,474,985</u>
Total Capital Assets, being depreciated	<u>53,375,115</u>	<u>67,047</u>	<u>(7,437,955)</u>	<u>46,004,207</u>
<u>Less, Accumulated</u>				
<u>Depreciation:</u>				
Buildings	(42,503,350)	(273,732)	7,437,955	(35,339,127)
Furniture and Equipment	(4,017,852)	(309,150)	-	(4,327,002)
Vehicles	<u>(2,095,412)</u>	<u>(135,264)</u>	<u>-</u>	<u>(2,230,676)</u>
	<u>(48,616,614)</u>	<u>(718,146) *</u>	<u>7,437,955</u>	<u>(41,896,805)</u>
Capital Assets,				
being depreciated, net	<u>4,758,501</u>	<u>(651,099)</u>	<u>-</u>	<u>4,107,402</u>
Capital Assets, net	\$ <u><u>93,221,334</u></u>	<u><u>42,320,594</u></u>	<u><u>-</u></u>	<u><u>135,541,928</u></u>

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SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 77,856
Special	22,562
Vocational	760
Support Services:	
Pupils	12,852
Instructional Staff	5,148
Administration	9,669
Fiscal	8,144
Business	14,979
Operation and Maintenance of Plant	44,599
Pupil Transportation	116,802
Central	91,661
Operation of Non-Instructional Services	34,438
Extracurricular Activities	4,944
	<u>444,414</u>
Unallocated Depreciation	273,732
Total Depreciation Expense	<u>\$ 718,146</u>

NOTE 10 - RISK MANAGEMENT

The School 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. During fiscal year 2005, the School District contracted with Indiana Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate. Property is also protected by Indiana Insurance Company with coverage of \$166,569,926 and holds a \$10,000 deductible.

The School District's vehicles are covered under a business policy with Indiana Insurance Company, which carries a \$500 deductible and a \$1,000,000 limit on any accident.

In addition to the above coverage, the School District also has \$10,000,000 in umbrella coverage on property and vehicles.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance from last year.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - RISK MANAGEMENT (continued)

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

The School District is self-insured for health benefits with Anthem Blue Cross and Blue Shield as the plan administrator. It is the stated goal of the insurance committee to maintain a balance of one to two months' average claims history. An actuary will audit the claims accounting provided by Grady Enterprises, Inc.

The liability for unpaid claims of \$1,149,469 reported in the fund at June 30, 2005, as estimated by an analysis of claims payments, is based on the requirements of GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$ 488,288	8,197,365	7,301,197	1,384,456
2005	\$ 1,384,456	6,721,875	6,956,862	1,149,469

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,303,001, \$1,757,437, and \$1,831,075, respectively; 40.59 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$5,590,482, \$5,968,022 and \$6,206,088, respectively; 82.56 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$85,215 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirements System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School 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 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 the 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, 2005, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$430,037 for fiscal year 2005.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, School District paid \$657,014 to fund health care benefits, including the surcharge.

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, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for teachers, 115 days for classified employees and 315 days for administrative personnel. Upon retirement, payment is made for one-fourth of the first 120 days of total sick leave accumulation plus 15 percent of the days in excess of 120, up to a maximum of 56 days for teachers. For administrative and classified personnel, payment is made for one-fourth of the first 120 days of total sick leave accumulation plus 10 percent of the days in excess of 120, up to a maximum of 78.75 days for administrative personnel and 54 days for classified personnel.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 13 - EMPLOYEE BENEFITS (continued)

B. Special Termination Benefits

Any employee who retires with ten or more years of active service with Springfield City School District may be given an additional severance payment. Teaching staff, administrative staff and support staff will receive 100 percent of their 2003/2004 base salary up to a maximum of \$50,000, \$60,000 and \$20,000, respectively in addition to any regular severance payments. The employee's intention to retire must have been declared by June 30, 2004.

C. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. The School District provides health benefits to employees through a self-insurance plan administered through Anthem Blue Cross and Blue Shield. Dental insurance is provided by the School District to all employees through MetLife.

D. Deferred Compensation

School District employees may participate in the ING Financial, VALIC or the Ohio Public Employees Deferred Compensation plans in accordance with Internal Revenue Code Section 457. The employees may also participate in a qualified annuity plan, sponsored by multiple providers, in accordance with Internal Revenue Code Section 403(b). Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 14 - LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capitalized leases for food service equipment. All leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease were initially capitalized in the amount of \$1,300,000 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2005 totaled \$120,579 and were paid from the Food Service Special Revenue Fund.

The assets acquired through capital leases as of June 30, 2005, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
Food Service Equipment	\$ <u>1,300,000</u>	<u>(83,571)</u>	<u>1,216,429</u>

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 14 - LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u> <u>Payments</u>
2006	\$ 181,064
2007	181,064
2008	181,064
2009	181,064
2010	181,064
2011 - 2013	<u>452,661</u>
Total	1,357,981
Less: Amount representing interest	<u>(236,657)</u>
Present Value of Minimum Lease Payments	\$ <u><u>1,121,324</u></u>

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SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

<u>Governmental Activities:</u>	<u>Restated Amount Outstanding 6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/2005</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:					
1997 School Improvement					
Refunding Bonds:					
3.65% - 5.55%					
Serial Bonds	\$ 7,415,000	-	1,350,000	6,065,000	1,410,000
Capital Appreciation	1,648,669	-	-	1,648,669	-
Accretion on Capital					
Appreciation Bonds	1,807,671	360,205	-	2,167,876	-
2001 Classroom Facilities					
Assistance Bonds					
4.00% - 5.20%					
Serial Bonds	13,150,000	-	1,240,000	11,910,000	1,290,000
Term Bonds	19,890,000	-	-	19,890,000	-
Capital Appreciation	937,996	-	-	937,996	-
Accretion on Capital					
Appreciation Bonds	342,992	139,637	-	482,629	-
Capital Leases	1,241,903	-	120,579	1,121,324	126,671
Bond Premium	367,398	-	18,447	348,951	-
Compensated Absences	3,561,959	553,717	123,754	3,991,922	643,371
Total Governmental Activities	\$ <u>50,363,588</u>	<u>1,053,559</u>	<u>2,852,780</u>	<u>48,564,367</u>	<u>3,470,042</u>

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SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Annual debt service requirements to maturity for governmental long-term obligations are:

Fiscal Year Ending June 30,	Serial	Serial	Capital	Capital
	Bond Principal	Bond Interest	Appreciation Bond Principal	Appreciation Bond Interest
2006	\$ 2,700,000	1,775,913	-	-
2007	2,815,000	1,653,655	-	-
2008	2,940,000	1,522,347	-	-
2009	3,080,000	1,382,293	-	-
2010	1,505,000	1,277,512	452,794	1,262,206
2011-2015	4,935,000	3,411,733	4,784,376	6,001,504
2016-2020	-	-	-	-
2021-2024	-	-	-	-
Total	\$ <u>17,975,000</u>	<u>11,023,453</u>	<u>5,237,170</u>	<u>7,263,710</u>

Fiscal Year Ending June 30,	Term	Term	Total
	Bond Principal	Bond Interest	
2006	\$ -	-	4,475,913
2007	-	-	4,468,655
2008	-	-	4,462,347
2009	-	-	4,462,293
2010	-	-	4,497,512
2011-2015	-	-	19,132,613
2016-2020	9,940,000	3,912,270	13,852,270
2021-2024	<u>9,950,000</u>	<u>1,067,300</u>	<u>11,017,300</u>
Total	\$ <u>19,890,000</u>	<u>4,979,570</u>	<u>66,368,903</u>

The School District's overall legal debt margin was \$31,191,067 with an unvoted debt margin of \$6,324,192 at June 30, 2005.

1997 School Improvement Refunding Bonds – On December 1, 1996, Springfield City School District issued general obligation bonds in the amount of \$17,073,669 to defease the School Improvement obligation bonds. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. The bonds were issued for a sixteen-year period with final maturity during 2013. The bonds will be retired from the Bond Retirement Debt Service Fund.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The capital appreciation bonds, issued at \$1,648,669, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010, 2011, 2012 and 2013. The maturity amounts of the capital appreciation bonds are \$1,715,000, \$1,715,000, \$1,715,000 and \$1,710,000 in fiscal years 2010 through 2013, respectively. Accretion on the capital appreciation bonds for fiscal year 2005 was \$2,167,876.

2001 Classroom Facilities Assistance General Obligation Bonds – On May 23, 2001, the School District issued \$38,102,996 in voted general obligation bonds for the purpose of acquiring land, constructing 15 new classroom facilities and two major renovations. The bonds were issued for a twenty-three year period with final maturity in December 2023. The bonds will be retired from the Bond Retirement Debt Service Fund.

The serial bonds, issued at \$17,275,000 with bonds maturing on December 1, 2005 to December 1, 2012 are subject to optional redemption, in whole or in part on any date and by lot within a maturity, at the option of the School District on or after December 1, 2011 as follows:

Redemption Dates	Redemption Rate
December 1, 2011 through November 30, 2012	102%
December 1, 2012 through November 30, 2013	101%
December 1, 2013 and thereafter	100%

The term bonds, issued at \$19,890,000, maturing on December 1, 2016 to December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective amounts.

Fiscal Year Ending June 30,	Amount
2016	\$ 1,800,000
2017	1,890,000
2018	1,980,000
2019	2,080,000
2020	2,190,000
2021-2024	9,950,000
Total	\$ 19,890,000

The capital appreciation bonds, issued at \$937,996, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amounts of the capital appreciation bonds are \$1,800,000 and \$1,800,000 in fiscal years 2014 and 2015. Accretion on the capital appreciation bonds for fiscal year 2005 was \$482,629.

Compensated absences will be paid from the General Fund and the Food Service Special Revenue Fund. Capital leases will be paid from the Food Service Special Revenue Fund.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 16 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the fiscal year ended June 30, 2005 follows:

Types/Issues	Balance 6/30/2004	Issued	Retired	Balance 6/30/2005
2004 - 3.6% Textbook Notes	\$ -	675,000	675,000	-
2004 - 3.22% - Tax Anticipation Notes	-	3,700,000	3,700,000	-
2005 - 0.0% State Solvency Assistance Loan	-	<u>7,554,000</u>	-	<u>7,554,000</u>
Total Governmental Activities	\$ <u>-</u>	<u>11,929,000</u>	<u>4,375,000</u>	<u>7,554,000</u>

On August 27, 2004 the School District issued 3.6% Textbook Notes payable in the amount of \$675,000. The note matured on September 9, 2004. The notes were used for the purchase of textbooks. These notes were retired from the Permanent Improvement Capital Projects Fund.

On December 1, 2004 the School District issued 3.22% Tax Anticipation Notes in the amount of \$3,700,000. The Notes matured on June 27, 2005. The notes were used to increase the School District's cash flow. These notes were retired from the General Fund.

2005 State Solvency Assistance Loan – On June 16, 2005, the School District received \$7,554,000 from the State of Ohio Solvency Loan to cover the deficit for fiscal year 2005. The loan will be retired from the Debt Service fund over the next two fiscal years.

NOTE 17 - INTERFUND ACTIVITY

Interfund balances at June 30, 2005, consist of the following interfund receivables and payables:

Payable	Receivable
	Other Governmental Funds
	<u> </u>
Other Governmental Funds	\$ <u>26,785</u>

**SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 17 - INTERFUND ACTIVITY (continued)

The advance from the Disadvantaged Pupil Impact Aid Fund to the Mental Health – Early Start and Basic Education Foundation Special Revenue Funds was made to cover negative cash. The advances are normally made from the General Fund, but due to a negative cash balance in the General Fund at fiscal year-end, this could not occur.

Transfers made during the fiscal year ended June 30, 2005 were as follows:

		Transfers From
		Bond Retirement
		Debt Service
		<u>Funds</u>
Transfer s To	Other Governmental Funds	\$ <u>677,475</u>

A transfer was made from the Bond Retirement Debt Service Fund to the Permanent Improvement Capital Projects Fund to move the Textbook Note payment to the Permanent Improvement Capital Projects Fund where the proceeds were originally recorded.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Clark County Family and Children First Council

The School District participates in the Clark County Family and Children First Council. The Council coordinates and integrates services within Clark County, which are available for families and children, and establishes a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children. A board of eighteen trustees, one of which is the Superintendent of the Springfield City School District, governs the Council. During fiscal year 2005, the School District did not contribute any money to the Council. Financial information can be obtained from Marilyn Demma, Executive Director, at 6 West High Street, Arcue Building, Suite 500, Springfield, Ohio 45502.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member district. Any district withdrawing from SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the SOEPC. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2005, the School District did not make any contributions to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who services as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

C. Springfield/Clark County Joint Vocational School

Springfield/Clark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of nine representatives of various school districts in Clark County, each of which possesses its own budgeting and taxing authority. The School District provides vocational instruction to students in both the City of Springfield and Clark County. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Ashbaugh, who serves as Treasurer, at 1901 Selma Road, Springfield, Ohio, 45505-4329.

NOTE 19 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by a majority vote of all member school districts. The Chief Administrator of GRP 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.

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SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 20 – CONTRACTUAL COMMITMENTS

The School District contracted for the design and construction of new high, middle, and elementary school buildings. The outstanding construction commitments at June 30, 2005 are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Nature of Contract</u>
Applied Mechanical Systems	\$ 771,240	Plumbing
Beacon Electrical	1,534,688	Electrical
Central Fire Protection	325,305	Fire Protection
Cincy Fire Protection	272,964	Fire Protection
Corna-Kokosing	6,123,607	General Contractor
Data Cabling Solutions	170,590	Technology
DeBra-Kuempel	3,489,784	Plumbing/HVAC
General Temp Control	1,123,889	Plumbing
GM Mechanical	904,006	HVAC
Griffith Sheet Metal	3,240,494	HVAC
Gutridge Plumbing	480,676	Alternative Plumbing
Microman, Inc.	268,000	Technology
Roger Storer Plumbing	1,030,110	Plumbing
RWS Building Company	13,682,110	General Contractor
Saturn Electric	3,023,174	Electrical
Schnippel Construction	10,731,017	General Contractor
Settle Muter Electric	1,154,200	Electrical
Slagle Mechanical	2,032,942	HVAC
Sound Com Corporation	619,220	Technology
Staffco Construction	5,061,650	General Contractor
The Fishel Company	199,087	Technology
Thomas & Marker Construction	15,480,734	General contractor
	<u>\$ 71,719,488</u>	

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 2004	\$ 319,637	-	319,637
Current Year Set-aside Requirement	1,359,055	1,359,055	2,718,110
Current Year Offsets	-	-	-
Qualifying Disbursements	<u>(815,975)</u>	<u>(1,359,055)</u>	<u>(2,175,030)</u>
Set-aside Reserve Balance as of June 30, 2005	\$ <u>862,717</u>	<u>-</u>	<u>862,717</u>
Required Set-aside Balances Carried Forward to FY 2006	\$ <u><u>862,717</u></u>	<u><u>-</u></u>	<u><u>862,717</u></u>

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

The School District is currently not party to any pending litigation.

NOTE 23 – SUBSEQUENT EVENT

On August 8, 2005 the School District issued 4.3 percent Permanent Improvement Bonds in the amount of \$4,400,000. The bonds will mature on December 1, 2014. These bonds were issued for the purpose of funding permanent improvements.

On February 7, 2006 the voters approved a 9.0 mill emergency operating levy. The levy will generate an additional \$6,462,900 per year for the School District with the first collection occurring in calendar year 2007.

**SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO**

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Non-Cash Receipts</u>	<u>Award Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education</i>						
Nutritional Cluster:						
Food Distribution Program - Commodities		10.550	\$	<u>340,112</u>		<u>340,112</u>
School Breakfast Program	05-PU-2004	10.553	185,544		185,544	
	05-PU-2005		<u>295,216</u>		<u>295,216</u>	
Total Breakfast Program			480,760		480,760	
National School Lunch Program	LL-P4-2004	10.555	626,775		626,775	
	LL-P4-2005		<u>995,277</u>		<u>995,277</u>	
Total National School Lunch Program			1,622,052		1,622,052	
Summer Food Service Program	23PU-2004	10.559	25,816		25,816	
	23PU-2005		20,000		20,000	
	24PU-2004		3,186		3,186	
	24PU-2005		<u>1,200</u>		<u>1,200</u>	
Total Summer Food Service Program			50,202		50,202	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>2,153,014</u>	<u>340,112</u>	<u>2,153,014</u>	<u>340,112</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education</i>						
Adult Education	ABS1-2004	84.002	26,152		26,152	
	ABS1-2004-C		46,922		46,922	
	ABS1-2005		<u>102,292</u>		<u>102,292</u>	
			175,366		175,366	
Title I Grant	C1-S1-2004	84.010	379,292		379,292	
	C1-S1-2005		2,866,344		2,795,621	
	C1-SD-2004		37,605		37,605	
	C1-SD-2005		17,108		12,593	
	C1-SN-2005		<u>15,101</u>		<u>10,415</u>	
Total Title I Grant			3,315,450		3,235,526	
Special Education Cluster:						
Special Education Grants to States	6BSF-2004	84.027	317,109		317,109	
	6BSF-2005		<u>1,300,484</u>		<u>1,300,484</u>	
Total Special Education Grants to States			1,617,593		1,617,593	
Special Education Preschool Grants	PG-S1-2004	84.173	27,413		27,413	
	PG-S1-2005		<u>55,068</u>		<u>49,641</u>	
Total Special Education Preschool Grants			82,481		77,054	
Total Special Education Cluster			1,700,074		1,694,647	

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO**

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005
(Continued)

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Non-Cash Receipts</u>	<u>Award Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. DEPARTMENT OF EDUCATION (Continued)						
<i>Passed Through Ohio Department of Education (Continued)</i>						
Community Service Grant	T4-S1-2003 T4-S1-2004	84.184C	\$ - <u>5,296</u>		2,179 <u>5,296</u>	
Total Community Service Grant			5,296		7,475	
Safe and Drug-Free Schools and Communities State Grant	DR-S1-2004 DR-S1-2005	84.186	42,289 <u>49,806</u>		42,289 <u>41,822</u>	
Total Safe and Drug-Free Schools and Communities State Grant			92,095		84,111	
Even Start Family Literacy Grant	EV-S1-2004 EV-S1-2005	84.213	12,337 <u>176,915</u>		12,337 <u>164,849</u>	
Total Even Start Family Literacy Grant			189,252		177,186	
21st Century Community Learning Centers	T1-S1-2005	84.287	289,531		263,441	
Innovative Strategy (Title V)	C2-S1-2005	84.298	115,228		92,271	
Tech Literacy Challenge Grant	TJ-S1-2004 TJ-S1-2005	84.318	55,629 <u>40,163</u>		55,629 <u>40,163</u>	
Total Tech Literacy Challenge Grant			95,792		95,792	
Comprehensive School Reform Demonstration Grant	RF-CC-2004 RF-K2-2003 RF-S3-2004	84.332	- - <u>36,494</u>		559 5,846 <u>36,494</u>	
Total Comprehensive School Reform Demonstration Grant			36,494		42,899	
Reading First State Grant	RS-S1-2004 RS-S1-2005	84.357	63,052 <u>717,567</u>		63,052 <u>704,207</u>	
Total Reading First State Grant			780,619		767,259	
English Language Acquisition Grant	T3-S1-2005	84.365	1,112		30	
Teacher Quality Grant (Title II-A)	TR-S1-2004 TR-S1-2005	84.367	213,509 <u>738,437</u>		213,509 <u>710,393</u>	
Total Teacher Quality Grant (Title II-A)			951,946		923,902	
Total U.S. Department of Education			<u>7,727,542</u>		<u>7,559,905</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Development Disabilities:</i>						
Title XIX - Medicaid Assistance Program	N/A	93.778	<u>562,995</u>		<u>562,995</u>	
Total Federal Financial Assistance			\$ <u>10,443,551</u>	<u>340,112</u>	<u>10,275,914</u>	<u>340,112</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

***SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO***

Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Springfield City School District. The schedule has been prepared on the cash basis of accounting.

NOTE 2 – NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported on the schedule of expenditures of federal awards at the market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE 3 – FEDERAL GRANTS WHOSE FUNDS ARE COMMINGLED WITH OTHER REVENUE SOURCES

Title XIX – (CFDA #93.778) program's federal grant receipts were commingled with state and local revenues. It was assumed that federal monies were expended first.



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

Board of Education
Springfield City School District
Springfield, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield City School District, Clark County, Ohio as of and for the fiscal year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2005-001, 2005-002, and 2005-003.

We noted certain other matters that we reported to management of the Springfield City School District, Clark County, Ohio in a separate letter dated March 3, 2006.

This report is intended solely for the information and use of the School District's management, the Auditor of the State of Ohio, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 3, 2006



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Report on Compliance with Requirements Applicable to each Major
Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133 and Schedule of Expenditures of Federal Awards

Board of Education
Springfield City School District
Springfield, Ohio

Compliance

We have audited the compliance of the Springfield City School District, Clark County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

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

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

This report is intended solely for the information and use of the School District's management, the Auditor of the State of Ohio, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 3, 2006

**SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2005

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010; Medicaid XIX, CFDA# 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$318,481 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

<p>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
--

FINDING NUMBER: 2005-001

Condition: Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. The district did certify the total amount from all sources available for expenditures for fiscal year 2005; however these amounts were certified by fund type and not at the fund level.

The district’s legal level of control is at the fund level. The district did not maintain records noting the changes in the certificate of estimates throughout the year.

Management

Response: The District will be maintaining a control excel spreadsheet that will document all changes to appropriations – by fund level and not by fund type – throughout the year for Fiscal Year 2007.

FINDING NUMBER: 2005-002

Condition: Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total of the estimated revenue available for expenditure, as certified by the budget commission. The district’s original appropriations exceeded their original estimated resources by \$3,789,281 for the fiscal year 2005.

Management

Response: The District will be maintaining a control excel spreadsheet that will, on a monthly basis, monitor appropriations in relationship to the total estimated revenue available for expenditure as certified by the budget commission for Fiscal Year 2007.

FINDING NUMBER: 2005-003

Condition: Ohio Rev. Code Section 5705.10 states that monies paid into any fund shall be used only for the purpose such fund was established. The existence of a deficit cash balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit cash balance.

Review of the District’s year end cash position report noted that two funds had negative fund balances. They were as follows:

<u>Fund</u>	<u>Balance</u>
Mental Health Fund (015)	(\$19,325)
Foundation Education (029)	(\$7,459)

The District should develop and implement procedures to monitor fund cash balances. When expenditures are anticipated to temporarily exceed available resources, the District should consider an advance from the General Fund. The District should refer to Audit Bulletin 97-003 for guidance on the accounting treatment and approval process for advances.

Management

Response: The District will monitor and advance funds from the general fund, monthly, to funds in a deficit balance in accordance with Audit Bulletin 97-003.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Findings: None

**SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO**

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2005

PRIOR AUDIT FINDINGS:

FINDING NUMBER 2004-001

Summary: Ohio Revised Code Section 5705.10 states that monies paid into any fund shall be used only for the purposes such fund was established. The existence of a deficit cash balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit cash balance.

Current Status: Not corrected. This is a repeat comment in the current year audit.

FINDING NUMBER 2004-002

Summary: Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. The district did certify the total amount from all sources available for expenditures for fiscal year 2005; however these amounts were certified by fund type and not at the fund level.

Current Status: Not corrected. This is a repeat comment in the current year audit.

FINDING NUMBER 2004-003

Summary: Ohio Revised Code Section 5704.41(B) states that no orders or contracts involving the expenditure of money are to be made unless there is certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Current Status: Condition has been corrected.

QUESTIONED COSTS:

NONE



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**SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 20, 2006**