

SPRINGFIELD CITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2006

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

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, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 7, 2007

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SPRINGFIELD CITY SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.
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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, 2006, 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, 2006, 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.

As described in Note 3 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* and GASB Statement No.47, *Accounting for Termination Benefits*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2007, 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 on pages 3 through 12 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the School District. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 14, 2007

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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, 2006. 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 2006 are as follows:

- Total net assets increased \$8,958,482 from fiscal year 2005. 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 \$72,203,133 or 70.65 percent of total revenues. Program specific revenues in the form of charges for services and operating grants, contributions, and interest account for \$29,990,288 or 29.35 percent of total revenues of \$102,193,421.
- Total assets of governmental activities increased by \$8,752,108. Capital assets, net of accumulated depreciation increased by \$10,172,923 due to the completion of building construction and site preparation work for the construction of the new high school.
- The School District had \$93,234,939 in expenses related to governmental activities; only \$29,990,288 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 \$72,203,133 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, 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 2006?" 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-

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CLARK COUNTY, OHIO

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

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.

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.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

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

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

Table 1
Net Assets
Governmental Activities

	2006	Restated 2005
ASSETS		
Current Assets	\$ 131,734,692	133,155,507
Capital Assets	144,912,882	134,739,959
Total Assets	276,647,574	267,895,466
 LIABILITIES		
Long-Term Liabilities	45,996,025	48,564,367
Other Liabilities	49,396,853	47,034,885
Total Liabilities	95,392,878	95,599,252
 NET ASSETS		
Invested in Capital Assets, Net of Related Debt	102,632,932	88,875,383
Restricted	92,795,953	101,487,122
Unrestricted (Deficit)	(14,174,189)	(18,066,291)
Total Net Assets	\$ 181,254,696	172,296,214

Total assets increased \$8,752,108 due to the increase in capital assets. Capital Assets increased \$10,172,923 due to the completion of new buildings and site preparation for the new high school. Invested in Capital Assets, Net of Related Debt increased \$13,757,549 due to the Ohio School Facilities Commission project. Restricted Net Assets decreased by \$8,691,169 due to the Ohio School Facilities Commission project nearing completion with the only remaining project being the construction of the new high school. The deficit in Unrestricted Net Assets decreased \$3,892,102 due to the School District reducing expenses, primarily through staffing reductions.

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.

SPRINGFIELD CITY SCHOOL DISTRICT
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Management's Discussion and Analysis
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Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

Change in Net Asset		Restated
Governmental Activities		2005
	<u>2006</u>	<u>2005</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ 3,269,388	3,334,656
Operating Grants, Contributions, and Interest	26,623,748	22,225,724
Capital Grants and Contributions	97,152	-
Total Program Revenues	<u>29,990,288</u>	<u>25,560,380</u>
General Revenues:		
Property Taxes	24,718,428	24,612,842
Grants and Entitlements not Restricted to Specific Programs	44,943,083	80,198,142
Investment Earnings	1,397,016	858,021
Gain on Sale of Capital Assets	103,717	-
Other Revenue	<u>1,040,889</u>	<u>362,885</u>
Total General Revenues	<u>72,203,133</u>	<u>106,031,890</u>
Total Revenues	<u>102,193,421</u>	<u>131,592,270</u>

(continued)

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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Table 2
Change in Net Asset
Governmental Activities
(continued)

	2006	Restated 2005
EXPENSES		
Program Expenses:		
Instruction:		
Regular	37,309,604	38,963,518
Special	10,398,776	11,766,949
Vocational	61,861	1,794,228
Adult/Continuing	348,876	395,631
Support Services:		
Pupils	7,095,774	6,894,879
Instructional Staff	6,278,278	6,831,213
Board of Education	147,583	181,699
Administration	5,102,137	5,992,740
Fiscal	4,201,754	3,962,710
Business	804,783	957,953
Operation and Maintenance of Plant	7,395,797	6,652,455
Pupil Transportation	1,825,190	2,484,613
Central	682,304	915,191
Operation of Non-Instructional Services	4,939,600	5,149,998
Extracurricular Activities	969,264	1,148,440
Intergovernmental	-	76,503
Interest and Fiscal Charges	2,945,402	2,756,565
Unallocated Depreciation	2,727,956	273,732
Total Expenses	93,234,939	97,199,017
Increase in Net Assets	8,958,482	34,393,253
Net Assets, Beginning of Year, Restated (See Note 3)	172,296,214	137,902,961
Net Assets, End of Year	\$ 181,254,696	172,296,214

Grants and entitlements not restricted to specific programs made up 43.98 percent of the total revenues for governmental activities of the Springfield City School District for fiscal year 2006. Property tax revenues made up 24.19 percent of the total revenues for governmental activities for a total of 68.17 percent of all revenues coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction makes up 40.02 percent of governmental program expenses. Support services expenses make up 35.97 percent of governmental program expenses.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
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Operating grants, contributions and interest increased \$4,398,024 due to the new Safe School/Healthy Student federal grant and an increase in funding for the federal programs. Property Taxes increased \$105,586 due increases in property tax values. Grants and entitlements not restricted to specific programs decreased \$35,255,059 due to a reduction in grants of which a majority of this relates to the Ohio School Facilities monies. Total expenses decreased by \$3,964,078, due to a reduction in staffing, thus reducing payroll expenses.

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 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
Instruction	\$ 48,119,117	52,920,326	31,558,183	38,607,299
Support Services	33,533,600	34,873,453	28,348,989	29,150,170
Operation of Non-Instructional Services	4,939,600	5,149,998	(2,721,139)	212,747
Extracurricular Activities	969,264	1,148,440	385,260	633,681
Intergovernmental	-	76,503	-	4,443
Interest and Fiscal Charges	2,945,402	2,756,565	2,945,402	2,756,565
Unallocated Depreciation	2,727,956	273,732	2,727,956	273,732
Total Expenses	\$ <u>93,234,939</u>	<u>97,199,017</u>	<u>63,244,651</u>	<u>71,638,637</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 \$114,461,738 and expenditures of \$104,104,939. The net change in fund balances was most significant in the General Fund with an increase of \$7,111,690. The increase in the General Fund is due primarily to the reduction of staffing levels.

The fund balance of the Debt Service Fund increased by \$840,457 due to the an increase in tax revenues over the prior year.

The fund balance of the Project Construction Capital Projects Fund was \$16,237,676, a slight increase over the prior year.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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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.

During the course of fiscal year 2006, 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 \$62,538,715 with final budget basis revenues of \$66,147,715. The difference of \$3,609,000 was due to an increase in State funding, primarily guarantee aid.

Original budget basis appropriations were \$72,315,931 with final budget basis appropriations of \$73,687,076. The difference of \$1,371,145 was due primarily to an increase in fringe benefits relating to healthcare costs and purchased services.

Actual revenues were \$1,648,072 higher than the final budget basis revenues, while that actual expenditures were \$2,608,426 lower than the final budget basis appropriations, This resulted in the School District's ending unobligated cash balance to be \$4,339,685 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$144,912,882 invested in land, construction in progress, buildings, furniture and equipment, and vehicles in governmental activities.

Table 4 shows fiscal year 2006 balances compared to 2005:

Table 4		
Capital Assets at June 30		
(Net of Depreciation)		
Governmental Activities		
	2006	Restated 2005
Land	\$ 15,594,476	12,622,754
Construction in Progress	2,166,671	119,426,250
Buildings	124,712,394	474,819
Furniture and Equipment	2,230,796	1,935,238
Vehicles	208,545	280,898
Total Capital Assets	\$ 144,912,882	134,739,959

SPRINGFIELD CITY SCHOOL DISTRICT
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Management's Discussion and Analysis
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The primary increase was due to the completion of building construction and the site preparation work for the construction of the new high school. (See Note 9 in the Notes to the Basic Financial Statements).

Debt

At June 30, 2006, the School District had total bonded debt outstanding in the amount of \$41,285,297, which includes \$3,203,128 of accretion and \$330,504 of bond premium. \$2,815,000 of the total bonded debt outstanding is due within one year. The School District also had capital lease obligations outstanding of \$994,653, of which \$133,071 is due within one year. Table 5 summarizes the bonds, notes and loan payable and capital leases outstanding.

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

	2006	2005
General Obligation Bonds:		
1997 School Improvement Refunding Bonds	\$ 8,869,314	9,881,545
2001 Classroom Facilities Assistance Bonds	32,085,479	32,871,674
Capital Leases	994,653	1,121,324
Bond Premium	330,504	348,951
State Solvency Assistance Loan	3,777,000	7,554,000
Short-Term Tax Anticipation Notes	10,362,000	-
Total	\$ 56,418,950	51,777,494

See Note 14 of the Notes to the Basic Financial Statements for capital lease details, Note 15 of the Notes to the Basic Financial Statements for details on the long-term obligations, and Note 16 of the Notes to the Basic Financial Statements for details on short-term obligations.

As of June 30, 2006, the overall legal debt margin was \$31,371,654 with an unvoted debt margin of \$9,108,665. (See Note 15 in the Notes to the Basic Financial Statements).

Current Financial Issues and Concerns

During the past several fiscal years, expenditures have outpaced revenues in the School District, resulting in a continuing decline in the General Fund cash reserve. The deficit was due in large part to a relatively stagnant revenue stream while, at the same time, expenditures continue to increase. Recently, the School District has passed a nine mill levy, while also cutting over 200 positions. The School District has a positive five year forecast in all five fiscal years.

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, 2006, 714 students opted to leave the Springfield City School District to attend community schools. The loss of these students resulted in a decline of approximately \$4,900,000 (cash basis) in State foundation payments during the fiscal year. Additionally, the School District lost approximately \$2,000,000 (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.

SPRINGFIELD CITY SCHOOL DISTRICT
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Management's Discussion and Analysis
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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 \$7.6 million from the State of Ohio Solvency Assistance Loan Fund. The School District paid \$3.8 million for fiscal year 2006 and currently owes \$3.8 million for fiscal year 2007 to cover the deficit from fiscal year 2005.

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 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 Board of Education submitted to the voters of the School District a 9.0 mill emergency operating levy on February 7, 2006 ballot. This levy 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, the School District issued \$6,462,000 in Current Expense Tax Anticipation Notes. Due to the tax anticipation notes borrowing, the School District ended the cash basis fiscal year 2006 without a deficit fund balance.

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.

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.

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 2006, the School District spent over \$11,000,000 for capital asset additions. The elementary, middle and alternative schools were completed and in use at the start of the 2006 school year.

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 45505 or call (937) 505-2811.

SPRINGFIELD CITY SCHOOL DISTRICT

CLARK COUNTY, OHIO

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 44,668,055
Receivables:	
Taxes	30,720,756
Accounts	216,774
Intergovernmental	55,226,573
Accrued Interest	134,055
Materials and Supplies Inventory	34,950
Deferred Charges	94,350
Restricted Assets:	
Cash and Cash Equivalents with Escrow Agent	639,179
Capital Assets:	
Capital Assets not subject to depreciation:	
Land	15,594,476
Construction In Progress	2,166,671
Capital Assets, net of accumulated depreciation	<u>127,151,735</u>
 Total Assets	 \$ <u>276,647,574</u>
LIABILITIES:	
Accounts Payable	513,103
Contracts Payable	840,320
Payable from Restricted Assets:	
Contracts Payable - Retainage	639,179
Accrued Wages and Benefits	5,721,973
Intergovernmental Payable	3,350,292
Matured Compensated Absences Payable	328,467
Claims Payable	809,386
Accrued Interest Payable	259,344
Unearned Revenue	19,987,542
Special Termination Benefits Payable	2,808,247
State Solvency Assistance Loan Payable	3,777,000
Notes Payable	10,362,000
Noncurrent Liabilities:	
Due Within One Year	3,644,997
Due In More Than One Year	<u>42,351,028</u>
Total Liabilities	<u>95,392,878</u>
NET ASSETS:	
Invested in capital assets, net of related debt	102,632,932
Restricted for:	
Debt Service	8,624,927
Capital Projects	72,968,419
Other Purposes	10,727,451
Set-Asides	475,156
Unrestricted	<u>(14,174,189)</u>
 Total Net Assets	 \$ <u>181,254,696</u>

See accompanying notes to the basic financial statements.

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SPRINGFIELD CITY SCHOOL DISTRICT
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Statement of Activities
For the Fiscal Year Ended June 30, 2006

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 37,309,604	1,027,795	6,701,780	97,152	(29,482,877)
Special	10,398,776	244,469	7,847,309	-	(2,306,998)
Vocational	61,861	-	285,850	-	223,989
Adult/Continuing	348,876	1,100	355,479	-	7,703
Support Services:					
Pupils	7,095,774	377	1,060,099	-	(6,035,298)
Instructional Staff	6,278,278	-	3,049,329	-	(3,228,949)
Board of Education	147,583	-	-	-	(147,583)
Administration	5,102,137	-	337,354	-	(4,764,783)
Fiscal	4,201,754	-	109,561	-	(4,092,193)
Business	804,783	-	-	-	(804,783)
Operation and Maintenance of Plant	7,395,797	16,326	37,409	-	(7,342,062)
Pupil Transportation	1,825,190	101,302	379,037	-	(1,344,851)
Central	682,304	-	93,817	-	(588,487)
Operation of Non-Instructional Services	4,939,600	1,324,307	6,336,432	-	2,721,139
Extracurricular Activities	969,264	553,712	30,292	-	(385,260)
Interest and Fiscal Charges	2,945,402	-	-	-	(2,945,402)
Unallocated Depreciation *	2,727,956	-	-	-	(2,727,956)
Total	\$ <u>93,234,939</u>	<u>3,269,388</u>	<u>26,623,748</u>	<u>97,152</u>	<u>(63,244,651)</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes					18,722,685
OSFC Maintenance					280,550
Debt Service					4,910,863
Capital Outlay					804,330
Grants, Entitlements and Contributions not					
Restricted to Specific Programs					44,943,083
Investment Earnings					1,397,016
Gain on Sale of Capital Assets					103,717
Other Revenue					<u>1,040,889</u>
			Total General Revenues		<u>72,203,133</u>
			Change in Net Assets		8,958,482
			Net Assets, Beginning of Year, as restated		<u>172,296,214</u>
			Net Assets, End of Year		\$ <u>181,254,696</u>

* - 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, 2006

	General Fund	Debt Service Fund	Project Construction Fund	Nonmajor Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 4,032,858	5,689,964	20,831,200	10,591,265
Receivables:				
Taxes	24,728,276	4,863,707	-	1,128,773
Accounts	51,377	-	122,236	43,161
Intergovernmental	9,183	-	49,541,231	5,676,159
Accrued Interest	13,524	-	120,531	-
Interfund	35,235	-	-	-
Materials and Supplies Inventory	-	-	-	34,950
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	520,852	-	-	-
Restricted Cash and Cash Equivalents with Escrow Agent	-	-	639,179	-
Total Assets	<u>\$ 29,391,305</u>	<u>10,553,671</u>	<u>71,254,377</u>	<u>17,474,308</u>
LIABILITIES:				
Accounts Payable	\$ 215,967	-	-	297,136
Contracts Payable	-	-	840,320	-
Contracts Payable - Retainage	-	-	639,179	-
Accrued Wages and Benefits	4,258,855	-	-	1,463,118
Intergovernmental Payable	3,003,315	-	-	346,977
Accrued Interest Payable	102,258	-	13,975	-
Interfund Payable	-	-	-	35,235
Matured Compensated Absences Payable	328,467	-	-	-
Deferred Revenue	20,015,814	4,122,938	49,623,227	4,750,156
State Solvency Assistance Loan Payable	3,777,000	-	-	-
Notes Payable	<u>6,462,000</u>	<u>-</u>	<u>3,900,000</u>	<u>-</u>
Total Liabilities	<u>38,163,676</u>	<u>4,122,938</u>	<u>55,016,701</u>	<u>6,892,622</u>
FUND BALANCES:				
Reserved for:				
Encumbrances	115,842	-	4,164,857	1,242,227
Materials and Supplies Inventory	-	-	-	34,950
Property Taxes	4,713,417	740,769	-	204,858
Textbooks and Instructional Materials	475,156	-	-	-
School Bus Purchases	45,696	-	-	-
Unreserved, Undesignated:				
General Fund	(14,122,482)	-	-	-
Special Revenue Funds	-	-	-	6,246,250
Debt Service	-	5,689,964	-	-
Capital Projects Funds	-	-	12,072,819	2,853,401
Total Fund Balances	<u>(8,772,371)</u>	<u>6,430,733</u>	<u>16,237,676</u>	<u>10,581,686</u>
Total Liabilities and Fund Balances	<u>\$ 29,391,305</u>	<u>10,553,671</u>	<u>71,254,377</u>	<u>17,474,308</u>

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2006

<p>Total Governmental Funds</p> <hr/> <p>41,145,287</p> <p>30,720,756</p> <p>216,774</p> <p>55,226,573</p> <p>134,055</p> <p>35,235</p> <p>34,950</p> <p>520,852</p> <hr/> <p>639,179</p> <hr/> <p>128,673,661</p>	<p>Total Governmental Fund Balances \$ 24,477,724</p> <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>Capital assets used in governmental are not current financial resources and therefore are not reported in the funds.</p> <p>These assets consist of:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Land</td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 40%; text-align: right;">15,594,476</td> <td></td> </tr> <tr> <td>Construction in Progress</td> <td></td> <td style="text-align: right;">2,166,671</td> <td></td> </tr> <tr> <td>Other Capital Assets</td> <td></td> <td style="text-align: right;">161,439,269</td> <td></td> </tr> <tr> <td>Accumulated Depreciation</td> <td></td> <td style="text-align: right;"><u>(34,287,534)</u></td> <td></td> </tr> <tr> <td colspan="3" style="text-align: right;">Total Capital Assets</td> <td style="text-align: right;">144,912,882</td> </tr> </table> <p>Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Property Taxes</td> <td style="width: 10%;"></td> <td style="width: 40%; text-align: right;">5,074,170</td> <td></td> </tr> <tr> <td>Intergovernmental</td> <td></td> <td style="text-align: right;">53,367,472</td> <td></td> </tr> <tr> <td>Interest</td> <td></td> <td style="text-align: right;"><u>82,951</u></td> <td></td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">58,524,593</td> </tr> </table> <p>The Internal Service fund is used by management to charge the costs of insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,192,530</p> <p>Bond issuance costs reported as expenditure in the governmental funds are allocated as an expense over the life of the debt on the full accrual basis of accounting. 94,350</p> <p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Bonds Payable</td> <td style="width: 10%;"></td> <td style="width: 40%; text-align: right;">(40,954,793)</td> <td></td> </tr> <tr> <td>Bond Premium</td> <td></td> <td style="text-align: right;">(330,504)</td> <td></td> </tr> <tr> <td>Accrued Interest on Bonds</td> <td></td> <td style="text-align: right;">(143,111)</td> <td></td> </tr> <tr> <td>Capital Leases</td> <td></td> <td style="text-align: right;">(994,653)</td> <td></td> </tr> <tr> <td>Special Termination Benefits Payable</td> <td></td> <td style="text-align: right;">(2,808,247)</td> <td></td> </tr> <tr> <td>Compensated Absences</td> <td></td> <td style="text-align: right;"><u>(3,716,075)</u></td> <td></td> </tr> <tr> <td colspan="3" style="text-align: right;">Total Liabilities</td> <td style="text-align: right;"><u>(48,947,383)</u></td> </tr> </table> <p>Net Assets of Governmental Activities \$ <u>181,254,696</u></p>	Land	\$	15,594,476		Construction in Progress		2,166,671		Other Capital Assets		161,439,269		Accumulated Depreciation		<u>(34,287,534)</u>		Total Capital Assets			144,912,882	Property Taxes		5,074,170		Intergovernmental		53,367,472		Interest		<u>82,951</u>					58,524,593	Bonds Payable		(40,954,793)		Bond Premium		(330,504)		Accrued Interest on Bonds		(143,111)		Capital Leases		(994,653)		Special Termination Benefits Payable		(2,808,247)		Compensated Absences		<u>(3,716,075)</u>		Total Liabilities			<u>(48,947,383)</u>	
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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, 2006

	General Fund	Debt Service Fund	Project Construction Fund	Nonmajor Governmental Funds
REVENUES:				
Property Taxes	\$ 18,308,045	4,845,697	660,056	406,803
Intergovernmental	47,157,794	562,545	14,784,800	21,982,566
Investment Earnings	582,834	-	627,256	101,726
Tuition and Fees	1,331,356	-	-	487,827
Charges for Services	2,013	-	-	878,064
Contributions and Donations	5,736	-	-	130,000
Extracurricular Activities	75,080	-	-	478,722
Rentals	16,326	-	-	-
Miscellaneous	684,011	-	233,895	118,586
	<u>68,163,195</u>	<u>5,408,242</u>	<u>16,306,007</u>	<u>24,584,294</u>
Total Revenues				
EXPENDITURES:				
Current:				
Instruction:				
Regular	32,353,367	-	-	5,204,093
Special	5,171,966	-	-	5,321,854
Vocational	79,621	-	-	65,425
Adult/Continuing	2,337	-	-	337,424
Support Services:				
Pupils	3,757,886	-	-	1,064,309
Instructional Staff	2,924,397	-	-	3,414,668
Board of Education	147,583	-	-	-
Administration	4,861,109	-	-	330,019
Fiscal	1,281,762	-	-	131,896
Business	809,181	-	-	-
Operation and Maintenance of Plant	7,011,999	-	-	396,542
Pupil Transportation	1,757,871	-	-	26,622
Central	504,915	-	-	137,771
Operation of Non-Instructional Services	26,491	-	4,648	4,659,081
Extracurricular Activities	469,065	-	-	498,275
Capital Outlay	-	-	15,880,044	230,607
Debt Service:				
Principal	-	2,700,000	-	126,671
Interest	214,296	1,867,785	278,966	54,393
	<u>61,373,846</u>	<u>4,567,785</u>	<u>16,163,658</u>	<u>21,999,650</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>6,789,349</u>	<u>840,457</u>	<u>142,349</u>	<u>2,584,644</u>
OTHER FINANCING SOURCES:				
Proceeds from Sale of Capital Assets	322,341	-	-	98,249
	<u>322,341</u>	<u>-</u>	<u>-</u>	<u>98,249</u>
Total Other Financing Sources				
Net Change in Fund Balances	7,111,690	840,457	142,349	2,682,893
Fund Balance (Deficit), Beginning of Year	<u>(15,884,061)</u>	<u>5,590,276</u>	<u>16,095,327</u>	<u>7,898,793</u>
Fund Balance (Deficit), End of Year	\$ <u>(8,772,371)</u>	<u>6,430,733</u>	<u>16,237,676</u>	<u>10,581,686</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, 2006

<p>Total Governmental Funds</p> <hr/> <p>24,220,601</p> <p>84,487,705</p> <p>1,311,816</p> <p>1,819,183</p> <p>880,077</p> <p>135,736</p> <p>553,802</p> <p>16,326</p> <p><u>1,036,492</u></p> <p>114,461,738</p>	<p>Total Net Change in Fund Balances - Total Governmental Funds \$ 10,777,389</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: 60%;">Capital Asset Additions</td> <td style="width: 10%; text-align: right;">\$ 11,572,148</td> <td style="width: 30%;"></td> </tr> <tr> <td>Construction in Progress additions</td> <td style="text-align: right;">2,166,671</td> <td></td> </tr> <tr> <td>Depreciation Expense</td> <td style="text-align: right;"><u>(3,249,023)</u></td> <td></td> </tr> <tr> <td style="text-align: center;">Excess of capital outlay over depreciation expense</td> <td></td> <td style="text-align: right;">10,489,796</td> </tr> </table> <p>The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a gain on the sale of capital assets in the Statement of Activities.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Gain on the Sale of Capital Assets</td> <td style="width: 10%; text-align: right;">103,717</td> <td style="width: 30%;"></td> </tr> <tr> <td>Proceeds from the Sale of Capital Assets</td> <td style="text-align: right;"><u>(420,590)</u></td> <td style="text-align: right;">(316,873)</td> </tr> </table> <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: 60%;">Delinquent Property Taxes</td> <td style="width: 10%; text-align: right;">497,827</td> <td style="width: 30%;"></td> </tr> <tr> <td>Intergovernmental</td> <td style="text-align: right;">(13,020,842)</td> <td></td> </tr> <tr> <td>Interest</td> <td style="text-align: right;"><u>37,453</u></td> <td style="text-align: right;">(12,485,562)</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: 60%;">Amortization of Bond Issuance Costs</td> <td style="width: 10%; text-align: right;">(5,550)</td> <td style="width: 30%;"></td> </tr> <tr> <td>Amortization of Bond Premium</td> <td style="text-align: right;">18,447</td> <td></td> </tr> <tr> <td>Increase in Accrued Interest</td> <td style="text-align: right;"><u>9,764</u></td> <td style="text-align: right;">22,661</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 style="text-align: right;">744,663</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: 60%;">Bond Principal Retirement</td> <td style="width: 10%; text-align: right;">2,700,000</td> <td style="width: 30%;"></td> </tr> <tr> <td>Capital Lease Payments</td> <td style="text-align: right;"><u>126,671</u></td> <td></td> </tr> <tr> <td style="text-align: center;">Total Long-Term Debt Payment</td> <td></td> <td style="text-align: right;">2,826,671</td> </tr> </table> <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: 60%;">Decrease in Compensated Absences Payable</td> <td style="width: 10%; text-align: right;">275,847</td> <td style="width: 30%;"></td> </tr> <tr> <td>Grants Cancelled</td> <td style="text-align: right;">(15,240)</td> <td></td> </tr> <tr> <td>Special Termination Benefits Payable</td> <td style="text-align: right;">(2,808,247)</td> <td></td> </tr> <tr> <td>Accretion on Bonds</td> <td style="text-align: right;"><u>(552,623)</u></td> <td></td> </tr> <tr> <td style="text-align: center;">Total Increase/Decrease</td> <td></td> <td style="text-align: right;"><u>(3,100,263)</u></td> </tr> </table> <p>Change in Net Assets of Governmental Activities \$ <u>8,958,482</u></p>	Capital Asset Additions	\$ 11,572,148		Construction in Progress additions	2,166,671		Depreciation Expense	<u>(3,249,023)</u>		Excess of capital outlay over depreciation expense		10,489,796	Gain on the Sale of Capital Assets	103,717		Proceeds from the Sale of Capital Assets	<u>(420,590)</u>	(316,873)	Delinquent Property Taxes	497,827		Intergovernmental	(13,020,842)		Interest	<u>37,453</u>	(12,485,562)	Amortization of Bond Issuance Costs	(5,550)		Amortization of Bond Premium	18,447		Increase in Accrued Interest	<u>9,764</u>	22,661	Bond Principal Retirement	2,700,000		Capital Lease Payments	<u>126,671</u>		Total Long-Term Debt Payment		2,826,671	Decrease in Compensated Absences Payable	275,847		Grants Cancelled	(15,240)		Special Termination Benefits Payable	(2,808,247)		Accretion on Bonds	<u>(552,623)</u>		Total Increase/Decrease		<u>(3,100,263)</u>
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See accompanying notes to the basic financial statements.

**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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Property Taxes	\$ 16,900,000	17,641,000	17,910,374	269,374
Intergovernmental	43,354,166	46,079,318	47,282,889	1,203,571
Investment Earnings	539,821	573,753	588,739	14,986
Tuition and Fees	1,211,721	1,287,887	1,321,526	33,639
Charges for Services	1,846	1,962	2,013	51
Contributions and Donations	5,259	5,590	5,736	146
Extracurricular Activities	68,841	73,169	75,080	1,911
Rentals	11,507	12,230	12,550	320
Miscellaneous	445,554	472,806	596,880	124,074
<i>Total Revenues</i>	<u>62,538,715</u>	<u>66,147,715</u>	<u>67,795,787</u>	<u>1,648,072</u>
EXPENDITURES:				
Current:				
Salaries and Wages	41,051,129	38,548,886	36,651,515	1,897,371
Fringe Benefits	14,006,731	16,654,323	15,951,022	703,301
Purchased Services	11,805,589	12,735,228	13,127,693	(392,465)
Materials and Supplies	762,781	1,084,639	823,254	261,385
Capital Outlay	33,343	54,000	1,408	52,592
Miscellaneous	4,656,358	4,610,000	4,523,758	86,242
<i>Total Expenditures</i>	<u>72,315,931</u>	<u>73,687,076</u>	<u>71,078,650</u>	<u>2,608,426</u>
Excess of Revenues Over/(Under) Expenditures	<u>(9,777,216)</u>	<u>(7,539,361)</u>	<u>(3,282,863)</u>	<u>4,256,498</u>
OTHER FINANCING SOURCES:				
Proceeds from Sale of Notes	6,462,000	6,462,000	6,462,000	-
Proceeds from Sale of Capital Assets	322,341	322,341	322,341	-
Advances Out	-	(112,987)	(30,800)	82,187
Refund of Prior Year Expenditures	76,944	76,944	76,944	-
Refund of Prior Year Receipts	(1,000)	(1,000)	-	1,000
<i>Total Other Financing Sources (Uses)</i>	<u>6,860,285</u>	<u>6,747,298</u>	<u>6,830,485</u>	<u>83,187</u>
Net Change in Fund Balance	(2,916,931)	(792,063)	3,547,622	4,339,685
Fund Balance, Beginning of Year	543,759	543,759	543,759	-
Prior Year Encumbrances Appropriated	248,304	248,304	248,304	-
Fund Balance (Deficit), End of Year	\$ <u>(2,124,868)</u>	<u>-</u>	<u>4,339,685</u>	<u>4,339,685</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, 2006

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,001,916</u>
LIABILITIES:	
Claims Payable	<u>809,386</u>
NET ASSETS:	
Unrestricted	\$ <u><u>2,192,530</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, 2006

	<u>Governmental Activities</u>
	<u>Self-Insurance Fund</u>
OPERATING REVENUES:	
Charges for Services	\$ 7,922,569
Miscellaneous Revenues	<u>4,397</u>
Total Operating Revenues	<u>7,926,966</u>
OPERATING EXPENSES:	
Purchased Services	836,519
Claims	<u>6,454,915</u>
Total Operating Expenses	<u>7,291,434</u>
Operating Income	635,532
NON-OPERATING REVENUES:	
Investment Earnings	<u>109,131</u>
Change in Net Assets	744,663
Net Assets, Beginning of Year	<u>1,447,867</u>
Net Assets, End of Year	\$ <u><u>2,192,530</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, 2006

	Governmental Activities
	Self-Insurance Fund
Increase in Equity in Pooled Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Receipts from Interfund Services Provided	\$ 7,922,569
Receipts from Other Sources	4,397
Cash Payments to Suppliers for Goods and Services	(836,519)
Cash Payments for Claims	(6,794,998)
Net Cash Provided by Operating Activities	295,449
Cash Flows from Investing Activities:	
Investment Earnings	109,131
Net Increase in Equity in Pooled Cash and Cash Equivalents	404,580
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	2,597,336
Equity in Pooled Cash and Cash Equivalents, End of Year	\$ 3,001,916
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 635,532
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Liabilities:	
Decrease in Claims Payable	(340,083)
Net Cash Provided for Operating Activities	\$ 295,449

See accompanying notes to the basic financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Scholarship Private- Purpose Trust Fund	Agency Fund
	<u>Trust Fund</u>	<u>Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>64,035</u>	<u>105,090</u>
LIABILITIES:		
Due to Students	<u>-</u>	<u>105,090</u>
NET ASSETS:		
Restricted:		
Nonexpendable	10,000	
Unrestricted:		
Held in Trust for Trust Beneficiaries	<u>54,035</u>	
Total Net Assets	\$ <u>64,035</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, 2006

	Scholarship Private- Purpose Trust Fund
	<u> </u>
ADDITIONS:	
Gifts and Donations	\$ 5,700
Investment Earnings	2,514
Other Revenue	<u>2,818</u>
Total Additions	<u>11,032</u>
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>8,183</u>
Total Deductions	<u>8,183</u>
Change in Net Assets	2,849
Net Assets, Beginning of Year	<u>61,186</u>
Net Assets, End of Year	\$ <u><u>64,035</u></u>

See accompanying notes to the basic financial statements.

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SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 25 instructional/support facilities staffed by 329 non-certificated employees, 569 certificated full-time teaching personnel and 35 administrative employees who provide services to 8,795 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, 2006

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 22, 2006, 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 continues to 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, 2006

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, 2006

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.

Debt Service 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, 2006

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, 2006

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.

Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as unearned 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, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2006, 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, 2006.

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 2006 amounted to \$582,834, of which \$575,817 was earned by other funds.

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. Cash is also restricted for amounts held in escrow accounts for payment of retainage on construction contracts.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/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.

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.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the Internal Service Fund are reported on the proprietary fund financial statements.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-term Obligations (continued)

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, materials and supplies inventory, 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 2006.

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, 2006

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 \$92,795,953 of restricted net assets, none of which 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, including all supplemental appropriations.

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, 2006

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

A. Change in Accounting Principles

For fiscal year 2006, the School District has implemented GASB Statement No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,*” and GASB Statement No. 47, “*Accounting for Termination Benefits.*”

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School District’s financial statements for fiscal year 2006.

The School District implemented Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*. Accordingly, \$5,060,132 of termination benefits were reported as of June 30, 2006 of which \$2,251,885 was expensed during the year and \$2,808,247 is a liability reported on the Statement of Net Assets for future payment of special termination benefits that will be paid between July 1, 2006 and December 31, 2008. The School District adopted a Special Termination Benefit Program which was effective as of June 30, 2004. Any employee who retires with ten or more years of active service with Springfield City School District would be given an additional severance payment. Teaching staff would receive 100 percent of their 2003/2004 base salary up to a maximum of \$50,000. Likewise, administrative staff and support staff will receive 100 percent of their 2003/2004 base salary up to a maximum of \$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.

B. Restatement of Net Assets

For fiscal year 2006, the School District performed a revaluation of their capital assets, resulting in the following restatement of net assets at June 30, 2005.

	Governmental
	<u>Activities</u>
Net Assets, June 30, 2005	\$ 173,098,183
Restatement of Capital Assets	<u>(801,969)</u>
Net Assets, June 30, 2005, as Restated	\$ <u>172,296,214</u>

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2006, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 8,772,371
Mental Health-Early Start	5,143
Basic Education Foundaiton	22,593
Drug Free School	5,377

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 \$2,124,868. The Mental Health – Early Start and Basic Education Foundation Special Revenue Funds had appropriations in excess of revenues and available fund balances in the amount of \$11,418 and \$11,925, respectively. 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).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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	\$ 7,111,690
Adjustments:	
Revenue Accruals	(291,191)
Expenditure Accruals	(9,495,338)
Proceeds of Notes	6,462,000
Advances	(30,800)
Encumbrances	(209,466)
Change in Fair Value of Investments - 2006	4,559
Change in Fair Value of Investments - 2005	(3,832)
Budget Basis	\$ 3,547,622

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.

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.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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.

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, \$11,701,886 of the School District's bank balance of \$12,001,886 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.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool except monies held by escrow agent for retainage payable.

	<u>Fair Value</u>
STAROhio	\$ 12,965,433
Federal Home Loan Bank Bonds	6,259,310
Federal Home Loan Bank Discount Notes	4,225,807
Federal National Mortgage Association Bonds	4,981,250
Federal National Mortgage Association Discount Notes	1,972,116
Federal Home Loan Mortgage Corporation Bonds	498,394
Federal Home Loan Mortgage Corporation Discount Notes	1,723,356
Money Market Mutual Funds	<u>678,247</u>
	\$ <u>33,303,913</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.

All investments of the School District have a maturity of less than one year.

Credit Risk

The Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Bonds, Federal National Mortgage Association Discount Notes, Federal Home Loan Mortgage Corporation Bonds, Federal Home Loan Mortgage Corporation Discount Notes and Money Market Mutual Funds carry a rating of Aaa by Moody's and AAA by Standard and Poor's. 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 and that the Money Market Mutual Fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Bonds, Federal National Mortgage Association Discount Notes, Federal Home Loan Mortgage Corporation 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 Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Bonds, Federal National Mortgage Association Discount Notes and Federal Home Loan Mortgage Corporation Discount Notes represents 18.79 percent, 12.69 percent, 14.96 percent, 5.92 percent and 5.17 percent, respectively, of the School District's total investments.

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the 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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2006, was \$5,659,044 and is recognized as revenue: \$4,713,417 in the General Fund, \$740,769 in the Bond Retirement Debt Service Fund, \$155,058 in the Permanent Improvement Capital Projects Fund and \$49,800 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.

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 637,416,610	86.85%	652,916,010	87.31%
Public Utility	33,232,500	4.53%	30,073,010	4.02%
Tangible Personal Property	63,267,070	8.62%	64,805,385	8.67%
Total Assessed Value	\$ 733,916,180	100.00%	747,794,405	100.00%
Tax rate per \$1,000 of assessed valuation	\$56.55		\$56.55	

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 8 - RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables, except delinquent property taxes, 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>
Northwestern Local School District	\$ 7,650
Tecumseh Local School District	783
Greenon Local School District	750
Montgomery County Educational Service Center	160
Food Service - Federal Reimbursements	356,604
Classroom Facilities	49,273,695
Mental Health/Early Start	950
Basic Education Foundation	6,582
Bridges to the Future	10,501
Family Life Education	2,629
Ohio Reads	12,293
Alternative School	78,287
Adult Basic Education	69,039
Title VI-B	707,796
Title III	9,312
Title I	974,344
Title VI	14,186
Drug Free School Grant	33,483
Preschool Grant	45,566
Title VI-R	155,540
Miscellaneous Federal Grants	<u>3,466,423</u>
Total Intergovernmental Receivable	\$ <u>55,226,573</u>

The School District was awarded a grant in the amount of \$138,127,060 on November 7, 2000 from the Ohio School Facilities Commission for the construction of new facilities.

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SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 9 - CAPITAL ASSETS

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

	Restated Balance, 6/30/2005	Additions	Deductions	Balance 6/30/2006
<u>Capital Assets,</u>				
<u>not being depreciated:</u>				
Land	\$ 12,622,754	3,267,522	(295,800)	15,594,476
Construction in Progress	<u>119,426,250</u>	<u>2,166,671</u>	<u>(119,426,250)</u>	<u>2,166,671</u>
Total Capital Assets, not being depreciated	<u>132,049,004</u>	<u>5,434,193</u>	<u>(119,722,050)</u>	<u>17,761,147</u>
<u>Capital Assets,</u>				
<u>being depreciated:</u>				
Buildings	38,318,188	126,986,604	(12,442,720)	152,862,072
Furniture and Equipment	5,527,574	744,272	-	6,271,846
Vehicles	<u>2,341,092</u>	<u>-</u>	<u>(35,741)</u>	<u>2,305,351</u>
Total Capital Assets, being depreciated	<u>46,186,854</u>	<u>127,730,876</u>	<u>(12,478,461)</u>	<u>161,439,269</u>
<u>Less, Accumulated</u>				
<u>Depreciation:</u>				
Buildings	(37,843,369)	(2,727,956)	12,421,647	(28,149,678)
Furniture and Equipment	(3,592,336)	(448,714)	-	(4,041,050)
Vehicles	<u>(2,060,194)</u>	<u>(72,353)</u>	<u>35,741</u>	<u>(2,096,806)</u>
	<u>(43,495,899)</u>	<u>(3,249,023) *</u>	<u>12,457,388</u>	<u>(34,287,534)</u>
Capital Assets,				
being depreciated, net	<u>2,690,955</u>	<u>124,481,853</u>	<u>(21,073)</u>	<u>127,151,735</u>
Capital Assets, net	<u>\$ 134,739,959</u>	<u>129,916,046</u>	<u>(119,743,123)</u>	<u>144,912,882</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, 2006

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	49,661
Special		17,345
Vocational		374
Support Services:		
Pupils		5,474
Instructional Staff		4,122
Administration		4,505
Fiscal		7,061
Business		5,394
Operation and Maintenance of Plant		26,199
Pupil Transportation		61,646
Central		55,096
Operation of Non-Instructional Services		279,189
Extracurricular Activities		5,001
		<u>521,067</u>
Unallocated Depreciation		<u>2,727,956</u>
Total Depreciation Expense	\$	<u><u>3,249,023</u></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 2006, 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 fiscal year.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10 - RISK MANAGEMENT (continued)

For fiscal year 2006, 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 \$809,386 reported in the fund at June 30, 2006, 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>
2005	\$ 1,384,456	6,721,875	6,956,862	1,149,469
2006	\$ 1,149,469	6,601,279	6,941,362	809,386

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 2006, 10.58 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, 2006, 2005, and 2004 were \$846,991, \$1,303,001, and \$1,757,437, respectively; 31.35 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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

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

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, 2006, 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, 2006, 2005, and 2004, were \$4,705,613, \$5,590,482, and \$5,968,022, respectively; 81.93 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$37,477 made by the School District and \$73,983 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, 2006, 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, 2006, 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 \$361,970 for fiscal year 2006.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$473,746.

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 the projected claims less premiums contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive 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, 300 days for classified employees and 320 days for administrative personnel. Upon retirement, payment is made for one-fourth of the total sick leave accumulation up to a maximum of 60 days for teachers. For administrators payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 80 days. For 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 54 days.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 13 - EMPLOYEE BENEFITS (continued)

B. 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.

C. 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 2006 totaled \$126,671 and were paid from the Food Service Special Revenue Fund.

The assets acquired through capital leases as of June 30, 2006, 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>(148,571)</u>	<u>1,151,429</u>

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u> <u>Payments</u>
2007	\$ 181,064
2008	181,064
2009	181,064
2010	181,064
2011	181,064
2012-2013	<u>271,597</u>
Total	1,176,917
Less: Amount representing interest	<u>(182,264)</u>
Present Value of Minimum Lease Payments	\$ <u><u>994,653</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, 2006

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Amount Outstanding <u>6/30/2005</u>	<u>Additions</u>	<u>Deductions</u>	Amount Outstanding <u>6/30/2006</u>	Amount Due Within <u>One Year</u>
Governmental Activities:					
General Obligation Bonds:					
1997 School Improvement					
Refunding Bonds:					
3.65% - 5.55%					
Serial Bonds	\$ 6,065,000	-	1,410,000	4,655,000	1,475,000
Capital Appreciation	1,648,669	-	-	1,648,669	-
Accretion on Capital					
Appreciation Bonds	2,167,876	397,769	-	2,565,645	-
2001 Classroom Facilities					
Assistance Bonds					
4.00% - 5.20%					
Serial Bonds	11,910,000	-	1,290,000	10,620,000	1,340,000
Term Bonds	19,890,000	-	-	19,890,000	-
Capital Appreciation	937,996	-	-	937,996	-
Accretion on Capital					
Appreciation Bonds	482,629	154,854	-	637,483	-
Capital Leases	1,121,324	-	126,671	994,653	133,071
Bond Premium	348,951	-	18,447	330,504	-
Compensated Absences	3,991,922	52,620	328,467	3,716,075	696,296
Total Governmental Activities	\$ <u>48,564,367</u>	<u>605,243</u>	<u>3,173,585</u>	<u>45,996,025</u>	<u>3,644,367</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, 2006

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Capital Appreciation Bond Principal	Capital Appreciation Bond Interest
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	1,575,000	1,210,505	423,708	1,291,292
2012-2016	3,360,000	2,201,228	1,710,163	5,314,837
2017-2021	-	-	-	-
2022-2024	-	-	-	-
Total	\$ <u>15,275,000</u>	<u>9,247,540</u>	<u>2,586,665</u>	<u>7,868,335</u>

Fiscal Year Ending June 30,	Term Bond Principal	Term Bond Interest	Total
2007	\$ -	-	4,468,655
2008	-	-	4,462,347
2009	-	-	4,462,293
2010	-	-	4,497,512
2011	-	-	4,500,505
2012-2016	1,800,000	977,940	15,364,168
2017-2021	10,445,000	3,391,800	13,836,800
2022-2024	7,645,000	609,830	8,254,830
Total	\$ <u>19,890,000</u>	<u>4,979,570</u>	<u>59,847,110</u>

The School District's overall legal debt margin was \$31,371,654 with an unvoted debt margin of \$9,108,665 at June 30, 2006.

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, 2006

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 2006 was \$397,769.

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 2006 was \$154,854.

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, 2006

NOTE 16 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the fiscal year ended June 30, 2006 follows:

Types/Issues	Balance 6/30/2005	Issued	Retired	Balance 6/30/2006
2005 - 0.0% State Solvency Assistance Loan	\$ 7,554,000	-	3,777,000	3,777,000
2005 - 4.3% Permanent Improvement Tax Anticipation Notes	-	4,400,000	500,000	3,900,000
2006 - 6.35% Current Expense Tax Anticipation Notes	-	6,462,000	-	6,462,000
Total Governmental Activities	\$ <u>7,554,000</u>	<u>10,862,000</u>	<u>4,277,000</u>	<u>14,139,000</u>

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 deductions from the School District’s foundation receipts over the next two fiscal years.

On August 8, 2005, the School District issued 4.3% Permanent Improvement Tax Anticipation Notes in the amount of \$4,400,000. The notes will mature on December 1, 2014. The note will be retired from the Project Construction Fund.

On April 4, 2006, the School District issued 6.35% Current Expense Tax Anticipation Notes in the amount of \$6,462,000. The notes will mature on December 7, 2011. The notes will be retired from the General Fund.

Fiscal Year Ending June 30,	Tax Anticipation Notes Principal	Tax Anticipation Notes Interest
2007	\$ 400,000	159,100
2008	1,262,000	823,619
2009	1,700,000	481,050
2010	1,800,000	381,300
2011	1,800,000	275,200
2012-2015	<u>3,400,000</u>	<u>265,850</u>
Total	\$ <u>10,362,000</u>	<u>2,386,119</u>

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 17 - INTERFUND ACTIVITY

Interfund balances at June 30, 2006, consist of the following interfund receivables and payables:

			Receivable
			General
			Fund
Payable			
	Other Governmental Funds	\$	35,235

The advances from the General Fund to the Mental Health – Early Start, Basic Education Foundation, Alternative Schools, Preschool Grant and Title VI-R Special Revenue Funds were made to move unrestricted balances to support programs accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use those restricted monies to reimburse the General Fund for the initial advance.

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 2006, 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 120 school districts in 18 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.

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 2006, 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.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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 one or two representatives from each of the eight participating school districts' and educational service centers' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following; Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2006. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Mustovich, 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, 2006

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, 2006 are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Nature of Contract</u>
ATC Associates	\$ 79,000	Site Material Testing
Complete Clearing	38,500	Bulk Clearing of Site
Continental Office Environment	383,649	HVAC
Double D&D Materials	45,653	Construction Fencing
Empire Dismantlement Corporation	131,000	Kenwood Demolition
George Igel & Company	2,162,000	Earthwork and Utilities
Lesko Associates	1,722,925	Design
Raze International	138,000	Franklin Demolition
Sands Decker, Ltd.	149,308	Survey Staking Series
The Fishel Company	199,087	Snyder Park/Snowhill Technology
Tony Smith Wrecking	305,000	Clark, Elmwood and Grayhill Demolition
Total Environmental Services	12,565	Hazardous Material Removal
Triec Electrical	14,508	Pole Relocation
	<u>\$ 5,381,195</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.

Effective June 30, 2005, through Amended Substitute House Bill 66, the requirement for school district's that are declared to be in fiscal emergency pursuant to Section 3716, Revised Code, to meet the textbooks and capital improvements set-aside requirements has been eliminated. The legislation allows for either a reduced funding of the set-aside requirements or the elimination of funding of the set-aside altogether. The Springfield City School District has elected not to fund the set-aside requirement for either the textbook or capital improvement set-aside for fiscal year 2006.

SPRINGFIELD CITY SCHOOL DISTRICT
CLARK COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

The following cash basis information describes the amount of carry-forwards from prior years that will continue to be carried forward until the School District is required to fund set-asides at some point in the future.

	<u>Textbooks</u>
Set-aside Reserve Balance as of June 30, 2005	\$ 862,717
Current Year Set-aside Requirement	-
Current Year Offsets	-
Qualifying Disbursements	<u>(387,561)</u>
Set-aside Reserve Balance as of June 30, 2006	\$ <u>475,156</u>
Required Set-aside Balances Carried Forward to FY 2007	\$ <u><u>475,156</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, 2006.

B. Litigation

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

NOTE 23 – SUBSEQUENT EVENT

On December 21, 2006, the School District refunded \$19,890,000 of the 2001 Classroom Facilities Assistance Bonds.

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

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2006

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Award Receipts	Non-Cash Receipts	Award Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
School Breakfast Program	PU-05	10.553	\$ 183,955		183,955	
	PU-06		483,276		483,276	
Total Breakfast Program			667,231		667,231	
National School Lunch Program	LLP4-05	10.555	613,889		613,889	
	LLP4-06		1,494,106		1,494,106	
Total National School Lunch Program			2,107,995		2,107,995	
Summer Food Service Program	23PU-05	10.559	23,625		23,625	
	24PU-05		3,339		3,339	
Total Summer Food Service Program			26,964		26,964	
Total Nutrition Cluster			2,802,190		2,802,190	
Food Donation Program		10.550	-	314,649	-	314,649
Total U.S. Department of Agriculture			2,802,190	314,649	2,802,190	314,649
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Direct Program</i>						
Safe Schools/Healthy Students	Q184L050365	84.184L	1,175,000		664,925	
<i>Passed Through Ohio Department of Education</i>						
Adult Education	ABS1-2005	84.002	76,984		76,984	
	ABS1-2006		221,777		223,144	
			298,761		300,128	
Title I Grant	C1S1-2005	84.010	531,397		531,397	
	C1S1-2006		3,398,748		3,903,130	
	C1SD-2005		3,475		3,475	
	C1SD-2006		66,430		66,064	
	C1SK-2005		96,327		96,327	
	C1SK-2006		133,612		100,173	
	C1SN-2005		1,889		1,889	
	C1SN-2006		45,769		42,581	
Total Title I Grant			4,277,647		4,745,036	
Special Education Cluster:						
Special Education Grants to States	6BSF-2005	84.027	299,753		299,753	
	6BSF-2006		2,214,592		2,243,889	
Total Special Education Grants to States			2,514,345		2,543,642	
Special Education Preschool Grants	PGS1-2005	84.173	7,259		7,259	
	PGS1-2006		68,637		80,807	
Total Special Education Preschool Grants			75,896		88,066	
Total Special Education Cluster			2,590,241		2,631,708	

(continued)

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, 2006
(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>U.S. DEPARTMENT OF EDUCATION (Continued)</u>						
<i>Passed Through Ohio Department of Education (Continued)</i>						
Safe and Drug-Free Schools and Communities State Grant	DRS1-2005 DRS1-2006	84.186	\$ 5,676 <u>92,632</u>		5,676 <u>91,444</u>	
Total Safe and Drug-Free Schools and Communities State Grant			98,308		97,120	
Even Start Family Literacy Grant	EVS1-2005 EVS1-2006	84.213	18,868 <u>248,836</u>		18,868 <u>243,356</u>	
Total Even Start Family Literacy Grant			267,704		262,224	
21st Century Community Learning Centers	T1S1-2005 T1S1-2006	84.287	10,043 <u>299,574</u>		10,043 <u>288,314</u>	
Total 21st Century Community Learning Centers			309,617		298,357	
Innovative Strategy (Title V)	C2S1-2006	84.298	23,913		27,156	
Tech Literacy Challenge Grant	TJS1-2005 TJS1-2006	84.318	27,651 <u>24,266</u>		27,651 <u>94,995</u>	
Total Tech Literacy Challenge Grant			51,917		122,646	
Advanced Placement Program	AVTF-2004	84.330	364		364	
Comprehensive School Reform Demonstration Grant	RFCC-2005 RFCC-2006 RFK2-2004 RFK3-2005 RFK3-2004	84.332	65,097 18,568 45,418 10,000 <u>37,411</u>		65,097 11,642 45,418 48,821 <u>37,372</u>	
Total Comprehensive School Reform Demonstration Grant			176,494		208,350	
Reading First State Grant	RSS1-2005 RSS1-2006	84.357	93,348 <u>772,327</u>		93,348 <u>778,815</u>	
Total Reading First State Grant			865,675		872,163	
English Language Acquisition (Title III)	T3S1-2006	84.365	15,474		15,695	
Teacher Quality Grant (Title II-A)	TRS1-2005 TRS1-2006	84.367	164,840 <u>795,666</u>		164,840 <u>855,787</u>	
Total Teacher Quality Grant (Title II-A)			960,506		1,020,627	
Hurricane Education Recovery Grant	HR01-2006	84.938	16,500		16,500	
Total U.S. Department of Education			<u>11,128,121</u>		<u>11,282,999</u>	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mental Retardation and Development Disabilities:</i>						
Title XIX - Medicaid Assistance Program	N/A	93.778	252,144		252,144	
State Children's Insurance Program	N/A	93.767	<u>17,785</u>		<u>17,785</u>	
Total U.S. Department of Health and Human Services			<u>269,929</u>		<u>269,929</u>	
Total Federal Financial Assistance			\$ <u>14,200,240</u>	<u>314,649</u>	<u>14,355,118</u>	<u>314,649</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, 2006

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 – DONATED COMMODITIES

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 year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 14, 2007 in which we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* and GASB Statement No.47, *Accounting for Termination Benefits*. 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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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* and which are described in the accompanying schedule of findings and questioned costs as items 2006-001.

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 14, 2007.

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 14, 2007



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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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, 2006. 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 of 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, 2006.

Internal Control Over Compliance

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

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

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 14, 2007

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2006

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):	Special Education Cluster, CFDA #84.027 & #84.173; Title I, CFDA# 84.010; Title II-A, CFDA # 84.367; Safe Schools/Healthy Students, CFDA# 84.184L.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$440,093 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER: 2006-001

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 \$2,124,868, \$11,418 and \$11,925 in the General Fund, the Mental Health – Early Start Special Revenue Fund and the Basic Education Foundation Special Revenue Fund, respectively, for the fiscal year 2006.

Management

Response: The District is maintaining an excel spreadsheet of all approved appropriations and is compared to the approved total estimated resources indicating compliance with budgetary laws and presented to the Board of education when the budget is revised.

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, 2006

PRIOR AUDIT FINDINGS:

FINDING NUMBER 2005-001

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: Condition corrected.

FINDING NUMBER 2005-002

Summary: 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.

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

FINDING NUMBER 2005-003

Summary: 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.

Current Status: Condition corrected.

QUESTIONED COSTS:

NONE



Mary Taylor, CPA
Auditor of State

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 19, 2007