

**SPRINGFIELD CITY SCHOOL DISTRICT**

**Basic Financial Statements**

June 30, 2007

**with**

**Independent Auditors' Report**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Springfield City School District  
700 South Limestone Street  
Springfield, Ohio 45505

We have reviewed the *Independent Auditors' Report* of the Springfield City School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. 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

January 30, 2008

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# SPRINGFIELD CITY SCHOOL DISTRICT

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

Independent Auditors' Report

Board of Education  
Springfield City School District  
700 S Limestone Street  
Springfield, Ohio 45505

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 District) as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007, on our consideration of the 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 14 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 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 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  
December 27, 2007



**Springfield City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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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, 2007. 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 the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

Total net assets increased \$3,950,482 from fiscal year 2006, due to the School District reducing expenses primarily through staff reductions.

General revenues accounted for \$73,257,996 or 74.04 percent of total revenues. Program specific revenues in the form of charges for services and operating grants, contributions, and interest accounted for \$25,682,803 or 25.96 percent of total revenues of \$98,940,799.

Total assets of governmental activities increased by \$2,767,139. Capital assets increased by \$18,836,670 due to the ongoing construction of the new high school.

The School District had \$94,990,317 in expenses related to governmental activities; only \$25,682,803 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 \$73,257,996 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.

**Springfield City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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The Statement of Net Assets and the 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 nonmajor funds presented in total in one column.

### **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 fiscal year 2007?" The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal 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 9. 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. The major funds for Springfield City School District are the General Fund, the Bond Retirement Debt Service Fund, and the Project Construction Capital Projects Fund.

**Springfield City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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

**The School District as a Whole**

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

**Springfield City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

Table 1 provides a summary of the School District's net assets for fiscal 2007 compared to fiscal year 2006:

(Table 1)  
Net Assets  
Governmental Activities

	2007	2006	Change
<b><u>Assets:</u></b>			
Current Assets	\$115,665,161	\$131,734,692	(\$16,069,531)
Capital Assets	163,749,552	144,912,882	18,836,670
<i>Total Assets</i>	<u>279,414,713</u>	<u>276,647,574</u>	<u>2,767,139</u>
<b><u>Liabilities:</u></b>			
Long-Term Liabilities	43,794,919	45,996,025	(2,201,106)
Other Liabilities	50,414,616	49,396,853	1,017,763
<i>Total Liabilities</i>	<u>94,209,535</u>	<u>95,392,878</u>	<u>(1,183,343)</u>
<b><u>Net Assets:</u></b>			
Invested in Capital Assets, Net of Related Debt	131,033,126	109,666,464	21,366,662
Restricted	58,017,595	85,762,421	(27,744,826)
Unrestricted (Deficit)	(3,845,543)	(14,174,189)	10,328,646
<i>Total Net Assets</i>	<u>\$185,205,178</u>	<u>\$181,254,696</u>	<u>\$3,950,482</u>

Current assets decreased \$16,069,531 as a result of a decrease in intergovernmental receivables. Capital Assets increased \$18,836,670 due to the increase in construction in progress relating to the continued construction of the new high school. Invested in Capital Assets, Net of Related Debt increased \$21,366,662 due to the Ohio School Facilities Commission project. Restricted Net Assets decreased by \$27,744,826 due to the Ohio School Facilities Commission project nearing completion with the only remaining project being the construction of the new high school. Unrestricted Net Assets increased by \$10,328,646 due to the increase in revenues are exceeding the increase in expenditures.

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.

**Springfield City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
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Revenue is further divided into two major components: program revenues and general revenues. Program revenues are defined as charges for services, grants, contributions and interest. General revenues include taxes and unrestricted grants, such as State foundation support.

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

(Table 2)  
Change in Net Assets  
Governmental Activities

	2007	2006	Change
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services	\$2,773,685	\$3,269,388	(\$495,703)
Operating Grants, Contributions, and Interest	22,909,118	26,623,748	(3,714,630)
Capital Grants and Contributions	0	97,152	(97,152)
<i>Total Program Revenues</i>	<u>25,682,803</u>	<u>29,990,288</u>	<u>(4,307,485)</u>
General Revenues:			
Property Taxes	25,828,283	24,718,428	1,109,855
Grants and Entitlements not Restricted to Specific Programs	44,344,228	44,943,083	(598,855)
Investment Earnings	2,318,224	1,397,016	921,208
Gain on Sale of Capital Assets	0	103,717	(103,717)
Miscellaneous	767,261	1,040,889	(273,628)
<i>Total General Revenues</i>	<u>73,257,996</u>	<u>72,203,133</u>	<u>1,054,863</u>
<i>Total Revenues</i>	<u>\$98,940,799</u>	<u>\$102,193,421</u>	<u>(\$3,252,622)</u>

(continued)

**Springfield City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

(Table 2)  
Change in Net Assets  
Governmental Activities  
(Continued)

	2007	2006	Change
<b><u>Program Expenses:</u></b>			
Instruction:			
Regular	\$37,310,790	\$37,029,942	\$280,848
Special	9,223,281	10,398,776	(1,175,495)
Vocational	524,686	61,861	462,825
Adult/Continuing	321,361	348,876	(27,515)
Student Intervention Services	2,054,909	279,662	1,775,247
Support Services:			
Pupils	7,139,932	7,095,774	44,158
Instructional Staff	6,317,903	6,278,278	39,625
Board of Education	320,789	147,583	173,206
Administration	5,804,654	5,102,137	702,517
Fiscal	1,667,309	4,201,754	(2,534,445)
Business	560,950	804,783	(243,833)
Operation and Maintenance of Plant	7,102,571	7,395,797	(293,226)
Pupil Transportation	1,882,612	1,825,190	57,422
Central	723,014	682,304	40,710
Operation of Non-Instructional Services	6,571,885	4,939,600	1,632,285
Extracurricular Activities	1,016,271	969,264	47,007
Interest and Fiscal Charges	2,823,909	2,945,402	(121,493)
Unallocated Depreciation	3,589,448	2,727,956	861,492
Intergovernmental	34,043	0	34,043
<i>Total Expenses</i>	<u>94,990,317</u>	<u>93,234,939</u>	<u>1,755,378</u>
<i>Change in Net Assets</i>	3,950,482	8,958,482	(5,100,234)
<i>Net Assets at Beginning of Year</i>	<u>181,254,696</u>	<u>172,296,214</u>	<u>8,958,482</u>
<i>Net Assets at End of Year</i>	<u><u>\$185,205,178</u></u>	<u><u>\$181,254,696</u></u>	<u><u>\$3,858,248</u></u>

Operating Grants, Contributions and Interest decreased \$3,714,630 due to an unusually large receivable that was recorded in the prior fiscal year for the Safe School/Healthy Student grant. Investment Earnings increased \$921,208 due to the School District having more cash to invest. Grants and Entitlements not Restricted to Specific Programs decreased \$598,855 due to a reduction in State funding due to decreasing enrollment. Total expenses increased by \$1,755,378 due to an increase in salaries, benefits, utilities, fuel, and current fiscal year's depreciation.

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Grants and Entitlements not Restricted to Specific Programs made up 44.82 percent of the total revenues for governmental activities of the Springfield City School District for fiscal year 2007. Property Tax revenues made up 26.1 percent of the total revenues for governmental activities for a total of 70.92 percent of all revenues coming from Property Taxes and Grants and Entitlements not Restricted to Specific Programs. The increase in Property Tax revenues is due to the increase in millage due to the passage of an emergency operating levy.

Regular Instruction makes up 39.28 percent of governmental program expenses. Support Services expenses make up 33.18 percent of governmental program expenses. The large decrease in Support Services Fiscal is related to the School District changing how the special termination benefits are being paid. The entire payment was being charged to Support Services Fiscal but is now being charged according to the functions where the employees were paid.

The Statement of Activities shows the cost of program services and the charges for services, 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 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$49,435,027	\$34,712,129	\$48,119,117	\$31,558,183
Support Services	31,519,734	25,627,832	33,533,600	28,348,989
Operation of Non-Instructional Services	6,571,885	1,977,899	4,939,600	(2,721,139)
Extracurricular Activities	1,016,271	542,254	969,264	385,260
Interest and Fiscal Charges	2,823,909	2,823,909	2,945,402	2,945,402
Unallocated Depreciation	3,589,448	3,589,448	2,727,956	2,727,956
Intergovernmental	34,043	34,043	0	0
<i>Total Expenses</i>	<u>\$94,990,317</u>	<u>\$69,307,514</u>	<u>\$93,234,939</u>	<u>\$63,244,651</u>

**Springfield City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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**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 \$119,512,704 and expenditures of \$118,780,961. The net change in fund balances was most significant in the General Fund with an increase of \$6,881,601. The increase in the General Fund is due primarily to an increase in Property Tax revenues relating to half of a fiscal year's collections on the emergency operating levy.

The fund balance for the Debt Service Fund increased by \$641,537 due to primarily a increase in property tax revenue and a decrease in interest and fiscal charges.

The fund balance of the Project Construction Capital Projects Fund decreased by \$4,474,407 due to the continuing construction on the new high school.

**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 2007, 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 and other financing sources were \$70,666,831 with final budget basis revenues and other financing sources of \$71,009,743. The difference of \$342,912 was due to an increase in State funding, primarily in guaranteed aid.

Original budget basis appropriations were \$66,402,451 with final budget basis appropriations of \$71,454,893. The difference of \$5,052,442 was due primarily to the original appropriations being based upon a percentage of the prior fiscal year appropriations while final appropriations more closely reflect fiscal year 2007 actual expenditures.

The School District's ending unobligated cash balance was \$1,655,402 above the final budgeted amount.



**Springfield City School District**  
Management's Discussion and Analysis  
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Unaudited

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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2007, the School District had \$163,749,552 invested in land, construction in progress, buildings, furniture and equipment, and vehicles in governmental activities.

Table 4 shows fiscal year 2007 balances compared to fiscal year 2006:

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

	2007	2006
Land	\$15,954,476	\$15,594,476
Construction in Progress	24,753,087	2,166,671
Buildings	121,122,946	124,712,394
Furniture and Equipment	1,781,398	2,230,796
Vehicles	137,645	208,545
<i>Totals</i>	\$163,749,552	\$144,912,882

The primary increase was due to the construction of the new high school. (See Note 8 of the Notes to the Basic Financial Statements).

*Debt*

At June 30, 2007, the School District had total bonded debt outstanding in the amount of \$39,335,813, which includes \$3,870,131 of accretion. \$3,165,000 of the total bonded debt outstanding is due within one year. The School District also had capital lease obligations outstanding of \$861,582, of which \$139,794 is due within one year. Table 5 summarizes the bonds and capital leases outstanding.

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Management's Discussion and Analysis  
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(Table 5)  
Outstanding Debt, at Fiscal Year-End  
Governmental Activities

	2007	2006
General Obligation Bonds		
1997 School Improvement Refunding Bonds	\$7,833,589	\$8,869,314
2001 Classroom Facilities Assistance Bonds	11,027,213	32,085,479
2006 Various Purpose Refunding Bonds	19,945,089	0
Bond Premium	1,789,781	330,504
Loss on Refunding	(1,259,859)	0
Capital Leases	861,582	994,653
State Solvency Assistance Loan	0	3,777,000
Short-Term Tax Anticipation Notes	9,962,000	10,362,000
<i>Totals</i>	\$50,159,395	\$56,418,950

See Note 13 of the Notes to the Basic Financial Statements for capital lease details, Note 14 of the Notes to the Basic Financial Statements for details on the long-term obligations, and Note 15 of the Notes to the Basic Financial Statements for details on the short-term obligations.

As of June 30, 2007, the overall legal debt margin was \$28,319,781 with an unvoted debt margin of \$9,834,387.

**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. Currently, the School District has passed a nine mill operating levy, while also cutting over 200 positions. The School District has prepared a five year forecast which projects positive balances in all of the next five fiscal years.

During the past four fiscal 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, 2007, 673 students opted to leave the Springfield City School District to attend community schools. The loss of these students resulted in a decline of \$4,800,000 (cash basis) in State foundation payments during the fiscal year. Additionally, the School District lost \$2,200,000 (cash basis) to other public school districts in Ohio when over 535 students chose to attend schools other than their respective school of residence pursuant to Ohio's open enrollment statutes.

***Springfield City School District***  
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 \$7.5 million from the State of Ohio Solvency Assistance Loan Fund. The School District paid \$3.7 million for fiscal year 2006 and \$3.7 million for fiscal year 2007 to cover the deficit from fiscal year 2005. By the end of the 2007 fiscal year, the borrowing from the loan fund was fully repaid.

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, and the Board of Education made 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.

The Board of Education submitted to the voters of the School District a 9.0 mill emergency operating levy on the February 7, 2006 ballot. This levy was successful. The successful passage generates an additional \$6,462,900 per fiscal year for the School District with the first collection occurring in fiscal year 2007. With the passage of the levy, the School District issued \$6,462,000 in Current Expense Tax Anticipation Notes. Due to tax anticipation notes borrowing, the School District ended fiscal year 2006 without a deficit fund balance (cash basis).

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 School District is engaged in an extensive building project. The School District has built ten new elementary buildings; four new middle schools; a new alternative school and will finish a new high school in June 2008. 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 2007 the School District spent over \$22,500,000 for capital assets additions relating to the construction of the new high school.

***Springfield City School District***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
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**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**

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$28,309,321
Materials and Supplies Inventory	36,206
Accrued Interest Receivable	91,434
Accounts Receivable	17,598
Cash and Cash Equivalents with Fiscal Agents	503,012
Cash and Cash Equivalents with Escrow Agents	581,968
Investments with Fiscal Agents	17,032,095
Property Taxes Receivable	34,671,393
Intergovernmental Receivable	34,119,747
Deferred Charges	302,387
Capital Assets:	
Land and Construction in Progress	40,707,563
Depreciable Capital Assets, Net	<u>123,041,989</u>
<i>Total Assets</i>	<u>279,414,713</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	461,188
Contracts Payable	4,000,003
Accrued Wages and Benefits Payable	6,063,960
Intergovernmental Payable	3,346,189
Accrued Interest Payable	246,981
Matured Compensated Absences Payable	333,866
Retainage Payable	581,968
Unearned Revenue	23,939,821
Claims Payable	765,305
Special Termination Benefits Payable	713,335
Notes Payable	9,962,000
Long-Term Liabilities:	
Due Within One Year	3,936,526
Due in More Than One Year	<u>39,858,393</u>
<i>Total Liabilities</i>	<u>94,209,535</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	131,033,126
Restricted for:	
Debt Service	7,461,331
Capital Outlay	43,870,359
Food Service Operation	1,346,476
Classroom Facilities Maintenance	1,575,319
Poverty Aid	1,014,468
Other Purposes	2,097,852
Set-Asides	651,790
Unrestricted (Deficit)	<u>(3,845,543)</u>
<i>Total Net Assets</i>	<u><u>\$185,205,178</u></u>

See accompanying notes to the basic financial statements

**Springfield City School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants, and Interest	Governmental Activities	
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$37,310,790	\$872,283	\$4,929,536	(\$31,508,971)
Special	9,223,281	142,317	7,017,618	(2,063,346)
Vocational	524,686	0	169,586	(355,100)
Adult/Continuing	321,361	16	376,156	54,811
Student Intervention Services	2,054,909	0	1,215,386	(839,523)
Support Services:				
Pupils	7,139,932	0	1,505,816	(5,634,116)
Instructional Staff	6,317,903	0	3,261,358	(3,056,545)
Board of Education	320,789	0	0	(320,789)
Administration	5,804,654	0	503,050	(5,301,604)
Fiscal	1,667,309	0	50,516	(1,616,793)
Business	560,950	0	0	(560,950)
Operation and Maintenance of Plant	7,102,571	18,696	0	(7,083,875)
Pupil Transportation	1,882,612	43,480	412,834	(1,426,298)
Central	723,014	0	96,152	(626,862)
Operation of Non-Instructional Services	6,571,885	1,256,866	3,337,120	(1,977,899)
Extracurricular Activities	1,016,271	440,027	33,990	(542,254)
Interest and Fiscal Charges	2,823,909	0	0	(2,823,909)
Unallocated Depreciation *	3,589,448	0	0	(3,589,448)
Intergovernmental	34,043	0	0	(34,043)
<i>Total Governmental Activities</i>	<u>\$94,990,317</u>	<u>\$2,773,685</u>	<u>\$22,909,118</u>	<u>(69,307,514)</u>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	20,383,150
Debt Service	4,482,266
Capital Outlay	506,710
Facilities Maintenance	456,157
Grants and Entitlements not Restricted to Specific Programs	
Investment Earnings	44,344,228
Miscellaneous	2,318,224
	767,261
<i>Total General Revenues</i>	<u>73,257,996</u>
<i>Change in Net Assets</i>	3,950,482
<i>Net Assets at Beginning of Year</i>	181,254,696
<i>Net Assets at End of Year</i>	<u>\$185,205,178</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements

**Springfield City School District**

Balance Sheet

Governmental Funds

June 30, 2007

	General	Bond Retirement	Project Construction	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$6,573,743	\$6,428,095	\$2,108,849	\$9,146,118	\$24,256,805
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	718,557	0	0	0	718,557
Cash and Cash Equivalents with Fiscal Agents	0	0	0	503,012	503,012
Cash and Cash Equivalents with Escrow Agents	0	0	581,968	0	581,968
Investments with Fiscal Agents	0	0	17,032,095	0	17,032,095
Receivables:					
Property Taxes	28,016,168	5,393,320	0	1,261,905	34,671,393
Accounts	14,968	0	0	2,630	17,598
Intergovernmental	27,525	0	31,643,097	2,449,125	34,119,747
Accrued Interest	22,817	0	66,736	1,881	91,434
Interfund	131,724	0	0	34,620	166,344
Materials and Supplies Inventory	0	0	0	36,206	36,206
<b>Total Assets</b>	<b><u>\$35,505,502</u></b>	<b><u>\$11,821,415</u></b>	<b><u>\$51,432,745</u></b>	<b><u>\$13,435,497</u></b>	<b><u>\$112,195,159</u></b>
<b><u>Liabilities:</u></b>					
Accounts Payable	\$158,933	\$0	\$0	\$302,255	\$461,188
Contracts Payable	0	0	3,955,309	44,694	4,000,003
Accrued Wages and Benefits Payable	4,548,488	0	0	1,515,472	6,063,960
Intergovernmental Payable	2,634,032	0	0	712,157	3,346,189
Accrued Interest Payable	34,257	0	13,975	0	48,232
Interfund Payable	0	0	0	166,344	166,344
Retainage Payable from Restricted Assets	0	0	581,968	0	581,968
Matured Compensated Absences Payable	333,866	0	0	0	333,866
Notes Payable	6,462,000	0	3,500,000	0	9,962,000
Deferred Revenue	23,224,696	4,749,145	31,618,224	2,140,052	61,732,117
<b>Total Liabilities</b>	<b><u>37,396,272</u></b>	<b><u>4,749,145</u></b>	<b><u>39,669,476</u></b>	<b><u>4,880,974</u></b>	<b><u>86,695,867</u></b>
<b><u>Fund Balances:</u></b>					
Reserved for Encumbrances	1,524,629	0	26,623,126	1,141,371	29,289,126
Reserved for Property Taxes	4,791,472	644,175	0	175,633	5,611,280
Reserved for Textbooks and Instructional Materials	651,790	0	0	0	651,790
Reserved for Bus Purchases	66,767	0	0	0	66,767
Unreserved, Undesignated, (Deficit) Reported in:					
General Fund	(8,925,428)	0	0	0	(8,925,428)
Special Revenue Funds	0	0	0	4,083,378	4,083,378
Debt Service Fund	0	6,428,095	0	0	6,428,095
Capital Projects Funds	0	0	(14,859,857)	3,154,141	(11,705,716)
<b>Total Fund Balances (Deficit)</b>	<b><u>(1,890,770)</u></b>	<b><u>7,072,270</u></b>	<b><u>11,763,269</u></b>	<b><u>8,554,523</u></b>	<b><u>25,499,292</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$35,505,502</u></b>	<b><u>\$11,821,415</u></b>	<b><u>\$51,432,745</u></b>	<b><u>\$13,435,497</u></b>	<b><u>\$112,195,159</u></b>

See accompanying notes to the basic financial statements

**Springfield City School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2007

**Total Governmental Fund Balances** \$25,499,292

***Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	15,954,476	
Construction in Progress	24,753,087	
Other Capital Assets	161,324,126	
Accumulated Depreciation	<u>(38,282,137)</u>	
Total Capital Assets		163,749,552

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.

Property Taxes	5,120,292	
Intergovernmental	32,614,636	
Interest	<u>57,368</u>	
		37,792,296

The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,568,654

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 302,387

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds Payable	(38,805,891)	
Loss from Refunding	1,259,859	
Bond Premium	(1,789,781)	
Accrued Interest on Bonds	(198,749)	
Capital Leases	(861,582)	
Special Termination Benefits	(713,335)	
Compensated Absences	<u>(3,597,524)</u>	
Total Liabilities		<u>(44,707,003)</u>

*Net Assets of Governmental Activities* \$185,205,178

See accompanying notes to the basic financial statements



**Springfield City School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007

	General	Bond Retirement	Project Construction	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>					
Property Taxes	\$20,237,209	\$4,558,665	\$559,100	\$427,187	\$25,782,161
Intergovernmental	47,785,870	473,134	18,923,446	20,614,464	87,796,914
Interest	1,047,195	0	979,266	171,450	2,197,911
Increase in Fair Value of Investments	17,474	0	57,545	2,055	77,074
Tuition and Fees	1,011,746	0	0	368,876	1,380,622
Extracurricular Activities	55,919	0	0	384,108	440,027
Rentals	18,696	0	0	0	18,696
Charges for Services	30,583	0	0	903,757	934,340
Contributions and Donations	355	0	0	117,343	117,698
Miscellaneous	624,276	4,720	8,876	129,389	767,261
<b>Total Revenues</b>	<b>70,829,323</b>	<b>5,036,519</b>	<b>20,528,233</b>	<b>23,118,629</b>	<b>119,512,704</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	32,791,717	0	0	5,618,148	38,409,865
Special	5,793,691	0	0	3,785,571	9,579,262
Vocational	621,179	0	0	947	622,126
Adult/Continuing	639	0	0	320,278	320,917
Student Intervention Services	0	0	0	2,022,568	2,022,568
Support Services:					
Pupils	4,027,051	0	0	1,387,260	5,414,311
Instructional Staff	3,294,686	0	0	3,321,968	6,616,654
Board of Education	311,735	0	0	0	311,735
Administration	5,365,117	0	0	632,649	5,997,766
Fiscal	1,444,818	84,458	105	172,174	1,701,555
Business	571,377	0	0	0	571,377
Operation and Maintenance of Plant	6,370,395	0	0	595,753	6,966,148
Pupil Transportation	1,745,149	0	0	110,000	1,855,149
Central	493,710	0	0	185,800	679,510
Operation of Non-Instructional Services	2,596	0	0	6,282,519	6,285,115
Extracurricular Activities	472,094	0	0	570,478	1,042,572
Capital Outlay	0	0	24,843,435	170,065	25,013,500
Debt Service:					
Principal Retirement	0	2,815,000	0	133,071	2,948,071
Interest and Fiscal Charges	408,175	1,495,524	159,100	47,993	2,110,792
Issuance Costs	0	277,925	0	0	277,925
Intergovernmental	0	0	0	34,043	34,043
<b>Total Expenditures</b>	<b>63,714,129</b>	<b>4,672,907</b>	<b>25,002,640</b>	<b>25,391,285</b>	<b>118,780,961</b>
Excess of Revenues Over (Under) Expenditures	7,115,194	363,612	(4,474,407)	(2,272,656)	731,743
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Capital Assets	11,900	0	0	0	11,900
Refunding Bonds Issued	0	19,889,095	0	0	19,889,095
Premium on Refunding Bonds	0	1,726,228	0	0	1,726,228
Payment to Refunding Bond Escrow Agent	0	(21,337,398)	0	0	(21,337,398)
Transfers In	95,830	0	0	341,323	437,153
Transfers Out	(341,323)	0	0	(95,830)	(437,153)
<b>Total Other Financing Sources (Uses)</b>	<b>(233,593)</b>	<b>277,925</b>	<b>0</b>	<b>245,493</b>	<b>289,825</b>
<b>Net Change in Fund Balances</b>	<b>6,881,601</b>	<b>641,537</b>	<b>(4,474,407)</b>	<b>(2,027,163)</b>	<b>1,021,568</b>
<b>Fund Balances (Deficit) at Beginning of Year</b>	<b>(8,772,371)</b>	<b>6,430,733</b>	<b>16,237,676</b>	<b>10,581,686</b>	<b>24,477,724</b>
<b>Fund Balances (Deficit) at End of Year</b>	<b>(\$1,890,770)</b>	<b>\$7,072,270</b>	<b>\$11,763,269</b>	<b>\$8,554,523</b>	<b>\$25,499,292</b>

See accompanying notes to the basic financial statements

*Springfield City School District*  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$1,021,568

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

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:

Capital Assets Additions	384,781	
Construction in Progress Additions	22,586,416	
Depreciation Expense	<u>(4,122,506)</u>	
Excess of Capital Outlay Over Depreciation Expense		18,848,691

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 capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Proceeds from Sale of Capital Assets	(11,900)	
Loss on Disposal of Capital Assets	<u>(121)</u>	
		(12,021)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent Property Taxes	46,122	
Intergovernmental	(20,752,836)	
Interest	<u>(25,583)</u>	
		(20,732,297)

Loan proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statements of Net Assets and does not affect the Statement of Activities.

Proceeds of Bonds	(19,889,095)	
Premium on Bonds	<u>(1,726,228)</u>	
		(21,615,323)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, the additional amount of interest on the Statement of Activities is the result of the following:

Amortization of Bond Issuance Costs	(10,214)	
Amortization of Bond Premium	57,916	
Amortization of Loss	(38,178)	
Accretion on Bonds	(667,003)	
Bond Issuance Costs	277,925	
Increase in Accrued Interest	<u>(55,638)</u>	
		(435,192)

The Internal Service Fund used by management to charge the cost of insurance to individual funds is reported in the entity-wide Statement of Activities.

376,124

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Payment to Refunding Bond Escrow Agent	21,337,398	
Bond Principal Retirement	2,815,000	
Capital Lease Payments	<u>133,071</u>	
Total Long-term Debt Repayment		24,285,469

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 governmental funds.

These activities consist of:

Decrease in Compensated Absences Payable	118,551	
Special Termination Benefits	<u>2,094,912</u>	
Total (Increase)/Decrease		<u>2,213,463</u>

*Change in Net Assets of Governmental Activities*

\$3,950,482

See accompanying notes to the basic financial statements

**Springfield City School District**  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$21,195,460	\$21,396,396	\$20,159,154	(\$1,237,242)
Intergovernmental	46,614,350	46,749,185	47,785,570	1,036,385
Interest	1,011,532	1,014,457	1,036,947	22,490
Tuition and Fees	968,879	971,682	993,223	21,541
Extracurricular Activities	54,549	54,706	55,919	1,213
Rentals	21,601	21,664	22,144	480
Charges for Services	29,833	29,920	30,583	663
Contributions and Donations	346	347	355	8
Miscellaneous	410,319	411,424	419,921	8,497
<i>Total Revenues</i>	<u>70,306,869</u>	<u>70,649,781</u>	<u>70,503,816</u>	<u>(145,965)</u>
<b><u>Expenditures:</u></b>				
Current:				
Salaries and Wages	41,785,825	33,845,902	33,654,730	191,172
Fringe Benefits	15,900,828	15,591,509	14,994,700	596,809
Purchased Services	4,433,926	14,383,510	13,707,172	676,338
Materials and Supplies	1,252,583	1,940,600	1,827,172	113,428
Capital Outlay	10,000	317,981	167,325	150,656
Miscellaneous	3,019,289	4,861,075	4,954,404	(93,329)
<i>Total Expenditures</i>	<u>66,402,451</u>	<u>70,940,577</u>	<u>69,305,503</u>	<u>1,635,074</u>
Excess of Revenues Over (Under) Expenditures	<u>3,904,418</u>	<u>(290,796)</u>	<u>1,198,313</u>	<u>1,489,109</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	11,900	11,900	11,900	0
Refund of Prior Year Expenditures	241,830	241,830	241,830	0
Transfers In	96,232	96,232	96,232	0
Transfers Out	0	(27,087)	(18,982)	8,105
Advances In	10,000	10,000	10,000	0
Advances Out	0	(158,188)	0	158,188
Refund of Prior Year Receipts	0	(329,041)	(329,041)	0
<i>Total Other Financing Sources (Uses)</i>	<u>359,962</u>	<u>(154,354)</u>	<u>11,939</u>	<u>166,293</u>
<i>Net Change in Fund Balance</i>	4,264,380	(445,150)	1,210,252	1,655,402
<i>Fund Balance at Beginning of Year</i>	4,339,685	4,339,685	4,339,685	0
<i>Prior Year Encumbrances Appropriated</i>	<u>209,466</u>	<u>209,466</u>	<u>209,466</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$8,813,531</u></u>	<u><u>\$4,104,001</u></u>	<u><u>\$5,759,403</u></u>	<u><u>\$1,655,402</u></u>

See accountants' compilation report  
See accompanying notes to the basic financial statements

**Springfield City School District**  
Statement of Fund Net Assets  
Internal Service Fund  
June 30, 2007

	<u>Self-Insurance</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$3,333,959
<b><u>Liabilities:</u></b>	
Claims Payable	<u>765,305</u>
<b><u>Net Assets:</u></b>	
Unrestricted	<u><u>\$2,568,654</u></u>

See accompanying notes to the basic financial statements

**Springfield City School District**  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2007

	Self-Insurance
<b><u>Operating Revenues:</u></b>	
Charges for Services	\$7,999,280
<b><u>Operating Expenses:</u></b>	
Purchased Services	642,371
Claims	7,141,177
<i>Total Operating Expenses</i>	7,783,548
<i>Operating Income</i>	215,732
<b><u>Non-Operating Revenues:</u></b>	
Interest	160,392
<i>Change in Net Assets</i>	376,124
<i>Net Assets at Beginning of Year</i>	2,192,530
<i>Net Assets at End of Year</i>	\$2,568,654

See accompanying notes to the basic financial statements

**Springfield City School District**  
Statement of Cash Flows  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2007

	<u>Self-Insurance</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from Interfund Services Provided	\$7,999,280
Cash Payments to Suppliers for Goods and Services	(642,371)
Cash Payments for Claims	<u>(7,185,258)</u>
<i>Net Cash Provided by Operating Activities</i>	171,651
<b><u>Cash Flows From Investing Activities:</u></b>	
Interest	<u>160,392</u>
<i>Increase in Cash and Cash Equivalents</i>	332,043
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>3,001,916</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$3,333,959</u></u>
<b><i>Reconciliation of Operating Income to Net Cash</i></b>	
<b><u>Provided by Operating Activities:</u></b>	
Operating Income	\$215,732
<b><i>Adjustments to Reconcile Operating Income to</i></b>	
<b><u>Net Cash Provided by Operating Activities:</u></b>	
Decrease in Claims Payable	<u>(44,081)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$171,651</u></u>

See accompanying notes to the basic financial statements

***Springfield City School District***  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	Private Purpose Trust	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$65,742	\$79,209
<b><u>Liabilities:</u></b>		
Due To Students	0	\$79,209
<b><u>Net Assets:</u></b>		
Restricted - Nonexpendable	10,000	
Held in Trust for Scholarships	55,742	
<i>Total Net Assets</i>	\$65,742	

See accompanying notes to the basic financial statements

***Springfield City School District***  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
<b><u>Additions:</u></b>	
Gifts And Donations	\$585
Interest	3,295
Miscellaneous	8,140
<i>Total Additions</i>	12,020
<b><u>Deductions:</u></b>	
Payment in Accordance With Trust Agreements	10,313
<i>Change in Net Assets</i>	1,707
<i>Net Assets at Beginning of Year</i>	64,035
<i>Net Assets at End of Year</i>	\$65,742

See accompanying notes to the basic financial statements



**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**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 321 non-certificated employees, 561 certificated full-time teaching personnel and 59 administrative employees who provide services to 8,323 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 ensure 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, Catholic Central Lagonda Elementary, Central Catholic Limestone Elementary, Springfield Christian, Maiden Lane Christian Educare, 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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**  
(continued)

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 Ohio School Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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 school 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. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activities of the School District must be in accordance with the plan. The recovery 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.

**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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis of Presentation**

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

*Government-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is 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*

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Internal Service Fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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:

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*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 college scholarships to its students and the other is an endowment to be used to provide college scholarships to its students. The School District also has 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.

*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, the Internal Service Fund is 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 Fund 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 internal service activities.

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

*Springfield City School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the proprietary and fiduciary funds 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 that 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.

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

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

*Deferred Revenue*

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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 except, monies to be used for construction of the new high school. 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 financial institutions to service bonded debt as principal and interest payments come due and to hold retainage amounts still owed to contractors. These amounts are presented as "Restricted Assets: Cash and Cash Equivalents with Fiscal Agents" and "Restricted Assets: Cash and Cash Equivalents with Escrow Agents" on the balance sheet. The School District utilizes a financial institution to hold monies to be used for construction of the new high school. The monies are presented as "Restricted Assets: Investments with Fiscal Agents" on the financial statements.

During fiscal year 2007, the School District's investments were limited to STAROhio, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Discount Notes, Mutual Funds and U. S. Treasury Bills. Investments are reported at fair value which is based on quoted market prices or current share price.

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, 2007.

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 2007 amounted to \$1,047,195, of which \$887,325 was earned by other funds.

*Springfield City School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**F. Restricted Assets**

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

**G. Inventory**

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

**H. Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. General capital 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 fiscal 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**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**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 Receivable” and “Interfund Payable”. 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 reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees are 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**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (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 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**

On the government-wide financial statements, 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 fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the period in which the debt is issued.

**M. Gain/Loss on Advance Refunding**

On the government-wide financial statements an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

**N. 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 balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials, capital improvements, 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.

*Springfield City School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**O. 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 adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, student activities and federal and State grants restricted to expenditures for specified purposes.

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 \$58,017,595 of restricted net assets, none of which are restricted by enabling legislation.

**P. Internal Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated of the Statement of Activities.

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.

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Internal Service Fund. For the School District, these revenues are charges for services for health insurance. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

*Springfield City School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**R. Budgetary Process**

All funds, other than the agency fund, 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 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 in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal 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.

**S. 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**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 3 - ACCOUNTABILITY**

At June 30, 2007, the following funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
General Fund	\$1,890,770
Basic Education Foundation	17,082
Summer Reading Intervention	1,783
Title VI-B	14,213
Drug Free Schools	4,875
Preschool Grant	7,895
Title VI-R	51,590
Miscellaneous Federal Grants	62,363

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.

**NOTE 4 - 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).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

6. 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.

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$6,881,601
Adjustments:	
Revenue Accruals	(325,507)
Expenditure Accruals	(7,213,162)
Transfers	322,743
Advances	10,000
Encumbrances	1,621,788
Other	(87,211)
Budget Basis	<u>\$1,210,252</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon 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 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**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 5 - 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;
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);
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, \$14,051,858 of the School District's bank balance of \$14,351,858 was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution but not in the name of the School District.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

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

**B. Investments**

As of June 30, 2007, the School District had the following investments. All investments are in an internal investment pool except monies held by an escrow agent for retainage payable and the Ohio School Facilities Project Construction Fund.

	<u>Fair Value</u>	<u>Investment Maturity Less than 1</u>	<u>Callable</u>
Federal Home Loan Bank Discount Notes	\$2,988,854	\$2,988,854	7/25/2007
Federal National Mortgage Association Notes	2,993,700	2,993,700	9/15/2007
Federal Home Loan Mortgage Corporation Notes	3,958,140	3,958,140	2/15/2008 - 6/23/2008
Federal Home Loan Mortgage Corporation Discount Notes	1,985,123	1,982,123	8/20/2007
U. S. Treasury Bills	504,896	504,896	-
Totals	<u>\$12,430,713</u>	<u>\$12,427,713</u>	

	<u>Fair Value</u>	<u>Investment Maturity</u>
STAROhio	\$18,422,191	Average 39 days
Mutual Funds	2,341,740	Average 38 days
Totals	<u>\$20,763,931</u>	

**Interest Rate Risk**

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



**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Credit Risk

The Federal Home Loan Bank Discount Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Mortgage Corporation Discount Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The Mutual Funds carry a rating of Aaa by Moody's and AAAM 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.

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 Discount Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Mortgage Corporation Discount Notes and 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 Discount Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Mortgage Corporation Discount Notes represents 9.00 percent, 9.02 percent, 11.92 percent and 5.98 percent, respectively, of the School District's total investments.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's 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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 6 - PROPERTY TAXES** (continued)

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. 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 2007 is 12.5 percent. This will be reduced to 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 due by April 30 are usually received by the School District prior to June 30. This fiscal year, however, the June 2007 tangible personal property tax was not received until July 2007.

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

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 6 - PROPERTY TAXES** (continued)

The amount available as an advance at June 30, 2007, was \$5,611,280 and is recognized as revenue: \$4,791,472 in the General Fund, \$644,175 in the Bond Retirement Debt Service Fund, \$132,987 in the Permanent Improvement Capital Projects Fund and \$42,646 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2006, was \$5,659,044 and consisted of: \$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.

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

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$652,916,010	87.31%	\$654,700,860	88.69%
Public Utility Personal	30,073,010	4.02%	31,667,720	4.29%
General Business Personal	64,805,385	8.67%	51,851,485	7.02%
Total Assessed Value	\$747,794,405	100.00%	\$738,220,065	100.00%
Tax rate per \$1,000 of assessed valuation	\$56.55		\$65.41	

The increase in the tax rate is due to the passage of a 9 mill emergency operating levy on February 7, 2006.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007, 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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 7 - RECEIVABLES** (continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Special Education Tuition from Other Districts	\$27,525
Food Service - Federal Reimbursements	527,356
Classroom Facilities	31,643,097
Mental Health/Early Start	29,069
After School	128,993
Basic Education Foundation	16,280
Post Secondary Education	3,051
Ohio Reads	7,000
Alternative School	21,001
Adult Basic Education	58,534
Title VI-B	420,064
Title III	15,687
Title I	919,089
Title VI	16,345
Drug Free School Grant	25,805
Preschool Grant	25,828
Title VI-R	173,688
Miscellaneous Federal Grants	61,335
Total Intergovernmental Receivable	<u>\$34,119,747</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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 8 - CAPITAL ASSETS**

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

	Balance at 6/30/06	Additions	Deductions	Balance at 6/30/07
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$15,594,476	\$360,000	\$0	\$15,954,476
Construction in Progress	2,166,671	22,586,416	0	24,753,087
Total Capital Assets Not Being Depreciated	17,761,147	22,946,416	0	40,707,563
Depreciable Capital Assets:				
Buildings	152,862,072	0	0	152,862,072
Furniture and Equipment	6,271,846	24,781	0	6,296,627
Vehicles	2,305,351	0	(139,924)	2,165,427
Total Depreciable Capital Assets	161,439,269	24,781	(139,924)	161,324,126
Less Accumulated Depreciation:				
Buildings	(28,149,678)	(3,589,448)	0	(31,739,126)
Furniture and Equipment	(4,041,050)	(474,179)	0	(4,515,229)
Vehicles	(2,096,806)	(58,879)	127,903	(2,027,782)
Total Accumulated Depreciation	(34,287,534)	(4,122,506) *	127,903	(38,282,137)
Depreciable Capital Assets, Net	127,151,735	(4,097,725)	(12,021)	123,041,989
Governmental Activities Capital Assets, Net	<u>\$144,912,882</u>	<u>\$18,848,691</u>	<u>(\$12,021)</u>	<u>\$163,749,552</u>

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 8 - CAPITAL ASSETS** (continued)

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

Instruction:	
Regular	\$37,737
Special	15,089
Vocational	374
Support Services:	
Pupils	4,345
Instructional Staff	3,603
Administration	4,134
Fiscal	3,689
Business	3,777
Operation and Maintenance of Plant	21,078
Pupil Transportation	50,127
Central	50,300
Operation of Non-Instructional Services	333,805
Extracurricular Activities	5,000
Allocated Depreciation Expense	<u>533,058</u>
Unallocated Depreciation	3,589,448
Total Depreciation Expense	<u><u>\$4,122,506</u></u>

**NOTE 9 - RISK MANAGEMENT**

**A. Workers' Compensation**

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

**B. Property and Liability**

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. The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual School District enters into an agreement with OSP and its premium is based on types of coverage's, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the Hylant Group, Inc. (See Note 18). During fiscal year 2007, the School District contracted with the Ohio School Plan for property, inland marine, crime, automobile liability and general liability insurance coverage. The School District also purchased \$48,000,000 in builders risk insurance through Cincinnati Insurance.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 9 - RISK MANAGEMENT** (continued)

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

Coverage provided by the Ohio School Plan is as follows:

Building and Contents (including Boiler and Machinery) - \$10,000 deductible	\$269,458,118
Inland Marine :	
Visual Equipment (\$1,000 deductible)	50,000
Miscellaneous Equipment (\$1,000 deductible)	267,216
Musical Instruments (\$1,000 deductible)	50,000
Electronic Equipment/Media Coverage (\$1,000 deductible)	10,060,000
Crime Coverage:	
Employee Theft - Per Loss Coverage (\$1,000 deductible)	25,000
Forgery or Alteration (\$1,000 deductible)	25,000
Inside the Premises - Theft of Money and Securities (\$1,000 deductible)	10,000
Outside the Premises - Theft of Money and Securities (\$1,000 deductible)	10,000
Computer Fraud (\$1,000 deductible)	25,000
Auto Liability:	
Liability - Any Auto	5,000,000
Medical Payments	5,000
Uninsured Motorists	50,000
Comprehensive - Bus (\$1,000 deductible)	Actual Cash Value
Comprehensive - All Other (\$250 deductible)	Actual Cash Value
Collision - Bus (\$1,000 deductible)	Actual Cash Value
Collision - All Other (\$500 deductible)	Actual Cash Value
Hired Car Physical Damage	50,000
Comprehensive (\$250 deductible)	Actual Cash Value
Collision (\$500 deductible)	Actual Cash Value
Garagekeepers Coverage	
Comprehensive (\$250 deductible for each occurrence up to a maximum \$1,000 in any one event)	30,000
Collision (\$500 deductible)	30,000
General Liability:	
Educational General	
Bodily Injury and Property Damage	1,000,000
Personal and Advertising Injury	1,000,000
Loss of Electronic Data Limit	50,000
Fire Damage Limit	500,000
Medical Expense	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000

(continued)

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 9 - RISK MANAGEMENT** (continued)

Ohio School Plan Coverage  
continued

Employee Benefits:	
Each Offense	1,000,000
Aggregate	3,000,000
Employers:	
Bodily Injury by Accident - Each Accident	\$1,000,000
Bodily Injury by Disease	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000
Educational Liability:	
Errors and Omissions Injury Limit (\$2,500 deductible)	1,000,000
Errors and Omissions Injury Aggregate Limit (\$2,500 deductible)	3,000,000
Employment Practices Injury Limit (\$2,500 deductible)	1,000,000
Employment Practices Injury Aggregate Limit (\$2,500 deductible)	3,000,000
Excess Liability:	
Educational General	2,000,000
Employee Benefits	2,000,000
Educational Liability	2,000,000

**C. Employee Insurance**

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.

The liability for unpaid claims of \$765,305 reported in the fund at June 30, 2007, 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:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2006	\$1,149,469	\$6,601,279	\$6,941,362	\$809,386
2007	809,386	7,141,177	7,185,258	765,305



**NOTE 10 - 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 toll-free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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 2007, 10.68 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, 2007, 2006 and 2005 were \$863,493, \$846,991 and \$1,303,001 respectively; 44.06 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**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 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$4,521,216, \$4,705,613, and \$5,590,482 respectively; 85.42 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$41,532 made by the School District and \$82,757 made by the plan members.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**C. Social Security System**

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

**NOTE 11 - 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All 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 cost 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, 2007, 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 \$468,382 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the 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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$347,786.

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 premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), 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 benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty-five days of vacation per fiscal year, depending upon length of service except for the Superintendent and Treasurer. The Superintendent receives thirty days and the Treasurer receives twenty days per fiscal year. 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 242 days for teachers, 3,120 hours 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 61 days for teachers. For administrators, payment is made for one-fourth of the total sick leave accumulation. For classified personnel, payment is made for one-fourth of the total sick leave accumulation up to a maximum of 480 hours.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 12 - EMPLOYEE BENEFITS** (continued)

**B. Special Termination Benefits**

The School District offered an Early Retirement Incentive program to any employee with ten or more years of active service with Springfield City School District. This incentive was offered through June 30, 2004. Teaching staff, administrative staff and support staff received 100 percent of their 2003/2004 base salary up to a maximum of \$50,000, \$60,000 and \$20,000, respectively in addition to any regular severance payments. Employees who took advantage of this program and retired with full benefits from the State Teachers Retirement System of Ohio (STRS Ohio) or the State Employees Retirement System (SERS) will receive the benefit over sixty equal monthly installments. If the employee did not retire from STRS Ohio or SERS, they will receive the benefit over ninety-six equal monthly installments.

**C. Insurance**

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

**D. Deferred Compensation**

School District employees may participate in the ING Financial, VALIC or 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 13 - LEASES - LESSEE DISCLOSURE**

In prior fiscal 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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 13 - LEASES - LESSEE DISCLOSURE** (continued)

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 2007 totaled \$133,071 and were paid from the Food Service Special Revenue Fund.

The assets acquired through capital leases as of June 30, 2007, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Food Service Equipment	\$1,300,000	(\$213,571)	\$1,086,429

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, 2007:

Fiscal Year Ending June 30,	Total Payments
2008	\$181,064
2009	181,064
2010	181,064
2011	181,064
2012	181,064
2013	90,531
Total	995,851
Less: Amount Representing Interest	(134,269)
Present Value of Net Minimum Lease Payments	\$861,582

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

<u>Governmental Activities:</u>	<u>Outstanding</u> <u>6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding</u> <u>6/30/07</u>	<u>Due Within</u> <u>One Year</u>
1997 School Improvement					
Refunding Bonds					
Serial Bonds 3.65% to 5.15%	\$4,655,000	\$0	\$1,475,000	\$3,180,000	\$1,550,000
Capital Appreciation Bonds	1,648,669	0	0	1,648,669	0
Accretion on Capital					
Appreciation Bonds	2,565,645	439,275	0	3,004,920	0
2001 Classroom Facilities					
Assistance Bonds					
Serial Bonds 4.0% to 4.6%	10,620,000	0	1,340,000	9,280,000	1,390,000
Term Bonds 5.0% to 5.2%	19,890,000	0	19,890,000	0	0
Capital Appreciation Bonds	937,996	0	0	937,996	0
Accretion on Capital					
Appreciation Bonds	637,483	171,734	0	809,217	0
2001 Bond Premium	330,504	0	216,180	114,324	0
2006 Various Purpose					
Refunding Bonds					
Serial Bonds 3.0% to 5.0%	0	17,875,000	0	17,875,000	225,000
Capital Appreciation Bonds	0	2,014,095	0	2,014,095	0
Accretion on Capital					
Appreciation Bonds	0	55,994	0	55,994	0
2006 Bond Premium	0	1,726,228	50,771	1,675,457	0
2006 Loss on Refunding	0	(1,298,037)	38,178	(1,259,859)	0
Compensated Absences	3,716,075	365,470	484,021	3,597,524	631,732
Capital Lease	994,653	0	133,071	861,582	139,794
Total Governmental Activities					
Long-Term Obligations	<u>\$45,996,025</u>	<u>\$21,349,759</u>	<u>\$23,627,221</u>	<u>\$43,794,919</u>	<u>\$3,936,526</u>

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

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

Fiscal Year Ending June 30,	Serial	Serial	Capital	Capital	Total
	Bond Principal	Bond Interest	Appreciation Bond Principal	Appreciation Bond Interest	
2008	\$3,165,000	\$1,290,483	\$0	\$0	\$4,455,483
2009	3,270,000	1,133,165	0	0	4,403,165
2010	1,705,000	1,031,561	452,794	1,262,206	4,451,561
2011	1,775,000	957,552	423,708	1,291,292	4,447,552
2012	1,855,000	878,715	398,617	1,316,383	4,448,715
2013-2017	6,540,000	3,597,533	1,311,546	3,998,454	15,447,533
2018-2022	12,025,000	1,548,400	0	0	13,573,400
2023-2024	0	0	2,014,095	3,535,905	5,550,000
<b>Total</b>	<b>\$30,335,000</b>	<b>\$10,437,409</b>	<b>\$4,600,760</b>	<b>\$11,404,240</b>	<b>\$56,777,409</b>

The School District's overall legal debt margin was \$28,319,781 with an unvoted debt margin of \$9,834,387 at June 30, 2007.

*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 general 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 fiscal year 2013. The bonds will be retired from the Bond Retirement Debt Service Fund.

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 2007 was \$439,275.

*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.



**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

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:

<u>Redemption Dates</u>	<u>Redemption Rate</u>
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, 2015 to December 1, 2023 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2018, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption. During the fiscal year the School District refunded the term bonds.

The capital appreciation bonds, issued at \$937,996, are not subject to redemption prior to scheduled maturity. 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 2007 was \$171,734.

*2006 General Purpose Refunding Bonds* - On December 21, 2006, the School District issued bonds for the purpose of advance refunding the \$19,890,000 outstanding 2001 Classroom Facilities Assistance General Obligation Term Bonds. The net proceeds of \$21,337,398 (after payment of \$277,925 in underwriting fees, issuance and other costs) were used to purchase U. S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 bonds. As a result, \$19,890,000 of the 2001 bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. The refunded bonds outstanding at June 30, 2007 were \$19,890,000.

The refunding resulted in a difference of \$1,298,037 between the net carrying amount of the old debt and the reacquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The unamortized amount of the difference at June 30, 2007, was \$1,259,859. Total debt service payments decreased by \$795,027 as a result of the refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$2,227,666.

The serial bonds, issued at \$17,875,000, maturing on December 1, 2007 to December 1, 2021, are subject to optional redemption. Bonds maturing on December 1, 2017 and thereafter 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, 2016 at par plus accrued interest to the date of redemption.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

The capital appreciation bonds, issued at \$2,014,095, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2023 and 2024. The maturity amounts of the capital appreciation bonds are \$2,775,000 in fiscal years 2023 and 2024. Accretion on the capital appreciation bonds for fiscal year 2007 was \$55,994.

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.

**NOTE 15 - FUND OBLIGATIONS**

A summary of the short-term note transactions for the fiscal year ended June 30, 2007 follows:

Types / Issues	Balance 6/30/06	Issued	Retired	Balance 6/30/07
2005 - 4.3% Permanent Improvement Tax				
Anticipation Notes \$4,400,000	\$3,900,000	\$0	\$400,000	\$3,500,000
2006 - 6.35% Current Expense Tax Anticipation				
Notes \$6,462,000	6,462,000	0	0	6,462,000
2005 - 0.0% State Solvency Assistance Loan \$7,554,000	3,777,000	0	3,777,000	0
Total Governmental Activities	<u>\$14,139,000</u>	<u>\$0</u>	<u>\$4,177,000</u>	<u>\$9,962,000</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 was retired from deductions from the School District’s foundation receipts.

On August 8, 2005 the School District issued 4.3 percent 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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 15 - FUND OBLIGATIONS** (continued)

On April 4, 2006 the School District issued 6.35 percent 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	Total
2008	\$1,262,000	\$525,618	\$1,787,618
2009	1,700,000	439,775	2,139,775
2010	1,800,000	336,850	2,136,850
2011	1,800,000	230,750	2,030,750
2012	1,900,000	121,100	2,021,100
2013-2015	1,500,000	96,750	1,596,750
	<u>\$9,962,000</u>	<u>\$1,750,843</u>	<u>\$11,712,843</u>

**NOTE 16 - INTERFUND ACTIVITY**

**A. Transfers**

Transfers From	Transfers To		
		Other Governmental Funds	
	General	Funds	Total
General	\$0	\$341,323	\$341,323
Other Governmental Funds	95,830	0	95,830
Total	<u>\$95,830</u>	<u>\$341,323</u>	<u>\$437,153</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were made from the Uniform School Supply, Adult Education/Enrichment, Public School Support, Other Grants, School Age Child Care, Vocational Education Equipment, Abstinence Education, Summer Reading Intervention, Miscellaneous State Grants, Community Services Block Grant, and Miscellaneous Federal Grants Special Revenue Funds to the General Fund due to the termination of the activity or service for which the special fund existed.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 16 - INTERFUND ACTIVITY** (continued)

**B. Interfund Payable/Receivable**

Interfund balances at June 30, 2007, consist of the following interfund receivables and payables:

Payable	Receivable		
		Other Governmental Funds	Total
	General	Funds	Total
Other Governmental Funds	\$131,724	\$34,620	\$166,344

General Fund advances are made to move unrestricted balances to support programs and projects 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. The interfund activity between Other Governmental Funds is related to the incorrect posting of revenue. The School District corrected this after fiscal year-end.

**NOTE 17 - 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 2007, the School District contributed \$10,966 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 125 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.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member district. Any district withdrawing from SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the SOEPC. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2007, the School District contributed \$3,883 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

**C. Springfield/Clark County Joint Vocational School**

Springfield/Clark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service centers' elected boards, which possesses 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 Joint Vocational School during fiscal year 2007. 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 18 - INSURANCE PURCHASING POOL**

**Ohio School Plan**

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a thirteen member Board of Directors consisting of school district superintendents and treasurers, as well as Dave Harcum, an independent consultant of Hylant Group, Inc., and a partner of the Hylant Group, Inc. Hylant Group Inc., is the Administrator of the OSP and is responsible for processing claims.

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 19 - 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, 2007 are:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/2007
George Igel & Company	\$2,564,989	\$1,860,503	\$704,486
Tony Smith Wrecking	308,455	301,955	6,500
Double D & D Materials	45,653	43,653	2,000
ATC Associates	159,000	137,442	21,558
Lesko Associates	1,722,925	1,217,710	505,215
Continental Office Environment	383,649	192,748	190,901
Saturn Electric	224,038	222,038	2,000
Brookside Lawn Service	94,800	0	94,800
Corna/Kokosing Construction	10,020,526	3,278,340	6,742,186
Dugan & Meyers Construction	6,136,752	5,746,713	390,039
Sidley Precast Group	1,748,001	0	1,748,001
The Kenny Huston Co.	4,585,525	3,438,764	1,146,761
Exterior Systems Inc.	1,308,455	28,753	1,279,702
Capital Aluminum and Glass Corp.	398,144	9,562	388,582
Valley Interior System	1,483,041	106,137	1,376,904
Stonecreek Interior Systems, LLC	1,205,072	35,115	1,169,957
The Final Floor, Inc.	269,299	1,966	267,333
Schindler Elevator Corp.	92,956	23,240	69,716
Louis R. Polster Co.	459,990	0	459,990
Kirk Williams Co.	7,141,611	4,285,114	2,856,497
Starco, Inc.	2,948,907	1,384,930	1,563,977
Dalmation Fire, Inc.	719,825	392,646	327,179
Beacon Electric	5,716,873	1,598,080	4,118,793
Stan and Associates	136,206	27,241	108,965
Acree Dailey	616,949	0	616,949
<b>Total</b>	<b>\$50,491,641</b>	<b>\$24,332,650</b>	<b>\$26,158,991</b>

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

**Springfield City School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (continued)

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

	Textbooks and Instructional Materials	Capital Improvements	Totals
Set-aside Reserve Balance as of June 30, 2006	\$475,156	\$0	\$475,156
Current Fiscal Year Set-aside Requirement	1,290,868	1,290,868	2,581,736
Current Fiscal Year Offsets	0	(1,256,838)	(1,256,838)
Qualifying Disbursements	(1,114,234)	(34,030)	(1,148,264)
Set-aside Reserve Balance as of June 30, 2007	<u>\$651,790</u>	<u>\$0</u>	<u>\$651,790</u>
Required Set-aside Balances Carried Forward to FY 2007	<u>\$651,790</u>	<u>\$0</u>	<u>\$651,790</u>

**NOTE 21 - 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 is 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, 2007.

**B. Litigation**

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

**Springfield City School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2007**

<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>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education</i>						
Nutritional Cluster:						
National School Breakfast Program	PU	10.553	546,689		546,689	
National School Lunch Program	LLP	10.555	1,667,983		1,667,983	
Summer Food Service Program	24PU	10.559	<u>53,936</u>		<u>53,936</u>	
Total Nutrition Cluster			<u>2,268,608</u>		<u>2,268,608</u>	
Food Distribution Program		10.550		<u>441,569</u>		<u>441,569</u>
Total U.S. Department of Agriculture			<u>2,268,608</u>	<u>441,569</u>	<u>2,268,608</u>	<u>441,569</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Direct Program</i>						
Safe Schools / Healthy Students	N/A	84.184L	1,434,427		1,930,879	
TANF Afterschool Readiness	N/A	93.558	399,352		383,592	
<i>Passed Through Ohio Department of Education</i>						
Adult Education	AB	84.002	306,368		310,938	
Title I Grant	C1S	84.010	3,899,437		3,828,710	
Special Education Cluster:						
Title VI-B	6B	84.027	2,728,467		2,688,567	
Preschool Disabilities Grant	PGS	84.173	<u>96,105</u>		<u>97,816</u>	
Total Special Education Cluster			2,824,572		2,786,383	
Safe and Drug-Free Schools and Communities State Grant	DRS	84.186	75,030		81,604	
Even Start Family Literacy Grant	EVS	84.213	160,456		176,910	
21st Century Community Learning Centers	T1S	84.287	291,706		321,617	
Innovative Strategy (Title V)	C2S	84.298	13,598		25,692	
Technology Literacy Challenge (Title II-D)	TJS	84.318	119,984		26,924	
Comprehensive School Reform Deonstration Grant	RF	84.332	130,883		129,516	
Reading First	RSS	84.357	370,142		391,973	
English Language Acquisition (Title III)	T3S	84.365	10,793		12,169	
Teacher Quality Grant (Title II-A)	TRS	84.367	896,911		831,697	
Hurricane Education Recovery Grant	HR	84.938	17,250		17,250	
Total U.S. Department of Education			<u>10,950,909</u>	-	<u>11,255,854</u>	-
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>13,219,517</u>	<u>441,569</u>	<u>13,524,462</u>	<u>441,569</u>

See accompanying notes to federal award expenditures



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

Notes to the Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2007

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**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 – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS**

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.



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

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  
700 S Limestone Street  
Springfield, Ohio 45505

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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2007-001 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

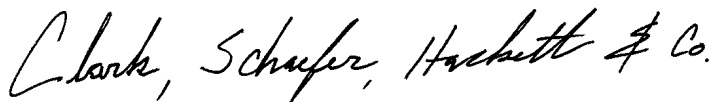
#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 27, 2007.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the 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.



Springfield, Ohio  
December 27, 2007



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

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  
700 S Limestone Street  
Springfield, Ohio 45505

Compliance

We have audited the compliance of the Springfield City School District, Clark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The 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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the 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, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the 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  
December 27, 2007

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2007

**1. SUMMARY OF AUDITORS' RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies 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):	<u>Nutrition Cluster:</u> CFDA #10.553 – Breakfast CFDA # 10.555 – Lunch CFDA # 10.559 – Summer <u>Safe Schools/Healthy Students:</u> CFDA# 84.184 <u>Donated Commodities:</u> CFDA #10.550
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$418,981 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: 2007-001**

Management is responsible for ensuring the financial statements are complete and prepared accurately in accordance with accounting principles generally accepted in the United States of America (GAAP).

During the current audit, it was necessary to adjust the District's financial statements to properly report property taxes receivable and related property tax revenue.

*Management Response:*

The District has implemented procedures to ensure assets and revenue are properly reported.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Reported

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

June 30, 2007

**PRIOR AUDIT FINDINGS:**

**Finding 2006-001**

**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 \$2,124,868 in the General Fund for the fiscal year 2006.

**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  
FEBRUARY 12, 2008**