

Springboro Community City School District

Warren County

Single Audit

July 1, 2004 through June 30, 2005

Fiscal Year Audited Under GAGAS: 2005

BALESTRA, HARR & SCHERER, CPAs, INC.
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**Auditor of State
Betty Montgomery**

Board of Education
Springboro Community City School District
Springboro, Ohio

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

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

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

BETTY MONTGOMERY
Auditor of State

June 9, 2006

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Springboro Community City School District
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Springboro Community City School District
1685 South Main Street
Springboro, OH 45066

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental 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 District as of June 30, 2005, and the respective changes in financial position, and the respective budgetary comparisons for the General Fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2006, 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 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding 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 federal awards expenditures is presented for purposes of additional analysis as required by the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure* and GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*.



Balestra, Harr & Scherer, CPAs, Inc.
May 12, 2006

Springboro Community City School District, Ohio

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$1,612,351.
- General revenues accounted for \$33,073,440 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,841,452 or 13% of total revenues of \$37,914,892.
- The School District had \$39,527,243 in expenses related to governmental activities; only \$4,841,452 of these expenses were offset by program specific charges for services and sales, grants and contributions.
- All governmental funds had total revenues of \$37,253,777 and other financing sources of \$65,658,328 and expenditures of \$115,122,960. The most significant change was the decrease to fund balance in the Building Capital Projects Fund of \$13,162,447. This decrease was due mainly to expenditures made for the building construction project.

USING THIS ANNUAL 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 the Springboro Community City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Springboro Community City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

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. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

- In the Statement of Net Assets and the Statement of Activities, most of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities. However, the School District's Agency Funds are not included within these two statements.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements 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 most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Building Capital Projects Fund.

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 governmental 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.

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

Springboro Community City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

	Governmental Activities	
	2005	2004*
Assets		
Current and Other Assets	\$80,888,573	\$83,521,682
Capital Assets	43,688,154	31,434,426
Total Assets	<u>124,576,727</u>	<u>114,956,108</u>
Liabilities		
Long-term Liabilities	97,570,132	94,334,889
Other Liabilities	31,934,090	23,936,363
Total Liabilities	<u>129,504,222</u>	<u>118,271,252</u>
Net Assets		
Invested in Capital Assets, Net of Debt	(4,938,955)	(604,372)
Restricted	2,665,565	1,358,276
Unrestricted	(2,654,105)	(4,069,048)
Total Net Assets	<u>(\$4,927,495)</u>	<u>(\$3,315,144)</u>

* As restated, for further information regarding restatement of net assets, refer to Note 3 to the basic financial statements.

Springboro Community City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005 as compared to 2004.

Table 2
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004*
Revenues		
Program Revenues		
Charges for Services and Sales	\$1,707,227	\$1,506,432
Operating Grants and Contributions	3,086,045	2,599,376
Capital Grants and Contributions	48,180	15,000
Total Program Revenues	<u>4,841,452</u>	<u>4,120,808</u>
General Revenues		
Property Taxes	19,030,121	14,729,358
Grants, Entitlements and Contributions Not Restricted	11,615,074	10,887,827
Investment Earnings	1,758,679	45,702
Miscellaneous	669,566	245,964
Total General Revenues	<u>33,073,440</u>	<u>25,908,851</u>
Total Revenues	<u>37,914,892</u>	<u>30,029,659</u>
Program Expenses		
Instruction:		
Regular	16,333,041	16,204,365
Special	2,174,697	1,765,986
Vocational	96,083	11,151
Other	351,680	198,926
Support Services:		
Pupils	1,748,915	1,566,009
Instructional Staff	2,545,738	2,297,840
Board of Education	147,778	147,308
Administration	1,977,435	1,949,871
Fiscal	851,117	733,718
Business	109,650	153,541
Operation and Maintenance of Plant	2,689,833	1,874,802
Pupil Transportation	2,514,956	2,232,970
Central	101,522	294,238
Operation of Non-Instructional Services	1,287,512	1,205,159
Extracurricular Activities	1,118,062	941,997
Interest and Fiscal Charges	5,479,224	1,858,151
Total Expenses	<u>39,527,243</u>	<u>33,436,032</u>
Decrease in Net Assets	(1,612,351)	(3,406,373)
Net Assets at Beginning of Year	<u>(3,315,144)</u>	<u>91,229</u>
Net Assets at End of Year	<u>(\$4,927,495)</u>	<u>(\$3,315,144)</u>

* As restated, for further information regarding restatement of net assets, refer to Note 3 of the basic financial statements.

Springboro Community City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Governmental Activities

Charges for services and sales comprised 5 percent of revenue for governmental activities, operating grants and contributions comprised 8 percent of revenue for governmental activities, while capital grants and contributions comprised less than 1 percent of revenue for governmental activities of the School District for fiscal year 2005. Property tax revenue comprised 50 percent of revenue for governmental activities. Grants and Entitlements, not restricted for specific programs, comprised 31 percent of revenue for governmental activities.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 41 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004*</u>	Net Cost of Services <u>2004 *</u>
Program Expenses				
Instruction:				
Regular	\$16,333,041	\$16,031,889	\$16,204,365	\$15,708,987
Special	2,174,697	1,484,461	1,765,986	1,115,434
Vocational	96,083	95,898	11,151	10,841
Other	351,680	351,004	198,926	198,384
Support Services:				
Pupil	1,748,915	1,714,016	1,566,009	1,513,148
Instructional Staff	2,545,738	2,358,137	2,297,840	2,075,160
Board of Education	147,778	145,647	147,308	144,487
Administration	1,977,435	1,963,835	1,949,871	1,908,096
Fiscal	851,117	840,745	733,718	723,075
Business	109,650	109,454	153,541	153,154
Operation and Maintenance of Plant	2,689,833	2,679,643	1,874,802	1,794,226
Pupil Transportation	2,514,956	1,556,877	2,232,970	1,339,471
Central	101,522	81,538	294,238	278,860
Operation of Non-Instructional Services	1,287,512	(166,201)	1,205,159	163,620
Extracurricular Activities	1,118,062	333,946	941,997	599,751
Interest and Fiscal Charges	5,479,224	5,104,902	1,858,151	1,588,530
Total	<u>\$39,527,243</u>	<u>\$34,685,791</u>	<u>\$33,436,032</u>	<u>\$29,315,224</u>

* As restated, for further information regarding restatement of fund balances and net assets, refer to Note 3 of the basic financial statements.

Springboro Community City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District has three major funds; the General Fund, the Building Capital Projects Fund, and The Bond Retirement Fund. The General Fund had \$30,612,405 in revenues and other financing sources and \$31,058,145 in expenditures. The General Fund's balance decreased \$445,740. The Building Capital Project Fund had \$67,038 in revenues and \$13,229,485 in expenditures, resulting in a \$13,162,447 decrease in fund balance. The Bond Retirement Fund had \$68,948,826 in revenues and other financing sources and \$67,700,997 in expenditures, resulting in a \$1,247,829 increase in fund balance.

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 2005, the School District amended its General Fund budget.

For the General Fund, budget basis actual revenue was \$29,837,975, below final estimates of \$30,845,579. Of this \$1,007,604 difference, most was due to less property tax monies being received than anticipated. For the General Fund, expenditures and encumbrances were \$29,771,695, below final estimates of \$30,772,457. Of this \$1,000,762 difference, most was due to conservative budgeting of the School District. The School District's ending unobligated General Fund balance was \$832,837.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the School District had \$43,688,154 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2005	2004
Land	\$4,738,095	\$2,767,770
Construction in Progress	11,156,071	-
Buildings & Improvements	25,524,480	26,685,690
Furniture and Equipment	1,046,711	634,784
Vehicles	1,222,797	1,346,182
Totals	<u>\$43,688,154</u>	<u>\$31,434,426</u>

For additional information on capital assets, see Note 8 to the basic financial statements.

Springboro Community City School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Debt

At June 30, 2005, the School District had general obligation bonds outstanding of \$91,600,565. The bonds were issued for school construction. The District issued \$61,500,000 in general obligation bonds during 2005 to replace the \$61,500,000 in bond anticipation notes issued in FY 2004. The District also had loans outstanding and capital leases payable of \$4,587,686 issued for various capital acquisition purposes. For additional information regarding debt, see Note 13 to the basic financial statements.

FOR THE FUTURE

In November, 2005, voters of the District approved a 10.06 mill emergency operating levy which will generate approximately \$7.2 million to finance day-to-day operational expenses as well as needed repair and maintenance projects to school facilities throughout the School District.

To address classroom space deficiencies caused by the increasing enrollment, a new middle school will be constructed with the proceeds of a \$61.5 million bond issue approved in July 2004. In addition to the construction of the new middle school, all other buildings will receive renovations and/or additions. Bids on all of these projects have been received and construction is underway in some part on all projects.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and 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 any questions about this report or need additional financial information, contact Tim Dettwiller, Treasurer, at Springboro Community City School District, 1685 South Main Street, Springboro, Ohio 45066.

Springboro Community City School District, Ohio
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$54,523,171
Accounts Receivable	2,208
Accrued Interest Receivable	276,617
Intergovernmental Receivable	80,110
Property Taxes Receivable	24,916,924
Restricted Cash and Cash Equivalents	96,355
Restricted Cash and Cash Equivalents with Escrow Agents	108,603
Deferred Issuance Costs	884,585
Nondepreciable Capital Assets	15,894,166
Depreciable Capital Assets, Net	<u>27,793,988</u>
 Total Assets	 <u>124,576,727</u>
 Liabilities:	
Accounts Payable	200,121
Contracts Payable	3,110,904
Accrued Wages and Benefits Payable	3,445,901
Retainage Payable	108,603
Accrued Interest Payable	338,145
Deferred Revenue	23,544,160
Intergovernmental Payable	1,186,256
Long-Term Liabilities:	
Due Within One Year	2,627,181
Due In More Than One Year	<u>94,942,951</u>
 Total Liabilities	 <u>129,504,222</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	(4,938,955)
Restricted for:	
Debt Service	2,150,978
Other Purposes	514,587
Unrestricted	<u>(2,654,105)</u>
 Total Net Assets	 <u><u>(\$4,927,495)</u></u>

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$16,333,041	\$81,973	\$218,869	\$310	(\$16,031,889)
Special	2,174,697	48,335	641,901	0	(1,484,461)
Vocational	96,083	185	0	0	(95,898)
Other	351,680	676	0	0	(351,004)
Support Services:					
Pupil	1,748,915	9,484	25,415	0	(1,714,016)
Instructional Staff	2,545,738	40,245	146,300	1,056	(2,358,137)
Board of Education	147,778	644	1,487	0	(145,647)
Administration	1,977,435	5,681	7,919	0	(1,963,835)
Fiscal	851,117	1,444	4,959	3,969	(840,745)
Business	109,650	196	0	0	(109,454)
Operation and Maintenance of Plant	2,689,833	6,080	4,110	0	(2,679,643)
Pupil Transportation	2,514,956	4,643	953,436	0	(1,556,877)
Central	101,522	4,058	15,926	0	(81,538)
Operation of Non-Instructional					
Services	1,287,512	912,431	541,282	0	166,201
Extracurricular Activities	1,118,062	590,695	193,421	0	(333,946)
Interest and Fiscal Charges	5,479,224	457	331,020	42,845	(5,104,902)
Totals	\$39,527,243	\$1,707,227	\$3,086,045	\$48,180	(34,685,791)
General Revenues					
Property Taxes Levied for:					
General Purposes					15,178,960
Debt Service					3,851,161
Grants, Entitlements and Contributions not					
Restricted to Specific Programs					11,615,074
Investment Earnings					1,758,679
Miscellaneous					669,566
Total General Revenues					33,073,440
Change in Net Assets					(1,612,351)
<i>Net Assets Beginning of Year - As Restated, See Note 3</i>					(3,315,144)
Net Assets End of Year					(\$4,927,495)

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2005

	General	Bond Retirement	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$924,863	\$2,013,360	\$50,744,489	\$840,459	\$54,523,171
Receivables:					
Interest	0	0	276,617	0	276,617
Property Taxes	18,641,689	6,275,235	0	0	24,916,924
Accounts	2,208	0	0	0	2,208
Interfund	42,077	0	0	0	42,077
Intergovernmental	6,722	0	0	73,388	80,110
Restricted Assets:					
Cash and Cash Equivalents	96,355	0	0	0	96,355
Cash and Cash Equivalents with Escrow Agents	0	0	108,603	0	108,603
Total Assets	<u>\$19,713,914</u>	<u>\$8,288,595</u>	<u>\$51,129,709</u>	<u>\$913,847</u>	<u>\$80,046,065</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$156,324	\$0	\$0	\$43,797	\$200,121
Accrued Wages and Benefits Payable	3,344,159	0	0	101,742	3,445,901
Contracts Payable	0	0	3,110,904	0	3,110,904
Interfund Payable	0	0	0	42,077	42,077
Intergovernmental Payable	1,059,395	0	0	126,861	1,186,256
Retainage Payable	0	0	108,603	0	108,603
Deferred Revenue	18,300,216	6,137,617	276,617	2,125	24,716,575
Total Liabilities	<u>22,860,094</u>	<u>6,137,617</u>	<u>3,496,124</u>	<u>316,602</u>	<u>32,810,437</u>
Fund Balances					
Reserved for Encumbrances	104,578	0	41,261,236	54,533	41,420,347
Reserved for Property Taxes	341,472	137,618	0	0	479,090
Reserved for Budget Stabilization	96,355	0	0	0	96,355
Unreserved, Undesignated, Reported in:					
General Fund (Deficit)	(3,688,585)	0	0	0	(3,688,585)
Special Revenue Funds	0	0	0	500,248	500,248
Debt Service Funds	0	2,013,360	0	0	2,013,360
Capital Projects Funds	0	0	6,372,349	42,464	6,414,813
Total Fund Balances	<u>(3,146,180)</u>	<u>2,150,978</u>	<u>47,633,585</u>	<u>597,245</u>	<u>47,235,628</u>
Total Liabilities and Fund Balances	<u>\$19,713,914</u>	<u>\$8,288,595</u>	<u>\$51,129,709</u>	<u>\$913,847</u>	<u>\$80,046,065</u>

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 As of June 30, 2005*

Total Governmental Fund Balances		\$47,235,628
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.		43,688,154
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	2,125	
Interest	276,617	
Property Taxes	893,673	
Total	1,172,415	1,172,415
Bond issuance costs associated with general obligation bonds payable are recorded as deferred charges on the accrual basis but are reported as expended in the funds		884,585
Accrued Interest Payable related to long term obligations is not reported in the funds.		(338,145)
Long-Term Liabilities, including bonds, long-term portion of compensated absences and capital lease obligations are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(1,381,881)	
Capital Lease Obligations	(3,124,686)	
School Improvement Bonds - 1996 and 1991	(26,558,152)	
Premium on Bond Payable	(3,123,291)	
Accreted Debt	(419,122)	
School Improvement Bonds Payable - 2005	(61,500,000)	
Loans Payable	(1,463,000)	
Total	(97,570,132)	(97,570,132)
Net Assets of Governmental Activities		(\$4,927,495)

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Bond Retirement	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$14,721,387	\$3,926,361	\$0	\$0	\$18,647,748
Intergovernmental	13,025,887	335,979	0	1,328,709	14,690,575
Investment Earnings	1,472,514	0	9,548	2,116	1,484,178
Customer Sales and Services	0	0	0	778,657	778,657
Tuition and Fees	51,663	0	0	330,302	381,965
Rent	4,960	0	0	0	4,960
Extracurricular Activities	0	0	0	541,644	541,644
Gifts and Donations	2,380	0	0	54,220	56,600
Miscellaneous	361,682	90	57,490	248,188	667,450
<i>Total Revenues</i>	<u>29,640,473</u>	<u>4,262,430</u>	<u>67,038</u>	<u>3,283,836</u>	<u>37,253,777</u>
Expenditures:					
Current:					
Instruction:					
Regular	14,702,220	0	0	506,417	15,208,637
Special	1,702,951	0	0	422,446	2,125,397
Vocational	82,119	0	0	0	82,119
Other	351,680	0	0	0	351,680
Support Services:					
Pupils	1,672,986	0	0	58,603	1,731,589
Instructional Staff	2,198,017	0	0	345,111	2,543,128
Board of Education	144,403	0	0	3,724	148,127
Administration	1,961,964	0	0	18,237	1,980,201
Fiscal	752,771	64,795	29,691	0	847,257
Business	111,111	0	0	0	111,111
Operation and Maintenance of Plant	2,639,148	0	0	9,464	2,648,612
Pupil Transportation	2,465,153	0	0	0	2,465,153
Central	110,589	0	0	36,703	147,292
Operation of Non-Instructional Services	22,764	0	0	1,269,598	1,292,362
Extracurricular Activities	658,538	0	0	445,469	1,104,007
Capital Outlay	1,011,785	0	12,879,306	0	13,891,091
Debt Service:					
Principal	232,363	62,410,000	0	18,561	62,660,924
Interest and Fiscal Charges	237,583	4,325,534	320,488	0	4,883,605
Issuance Costs	0	900,668	0	0	900,668
<i>Total Expenditures</i>	<u>31,058,145</u>	<u>67,700,997</u>	<u>13,229,485</u>	<u>3,134,333</u>	<u>115,122,960</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,417,672)</u>	<u>(63,438,567)</u>	<u>(13,162,447)</u>	<u>149,503</u>	<u>(77,869,183)</u>
Other Financing Sources:					
General Obligation Bonds Issued	0	61,500,000	0	0	61,500,000
Premium on Debt Issuance	0	3,186,396	0	0	3,186,396
Inception of Capital Lease	971,932	0	0	0	971,932
<i>Total Other Financing Sources</i>	<u>971,932</u>	<u>64,686,396</u>	<u>0</u>	<u>0</u>	<u>65,658,328</u>
<i>Net Change in Fund Balances</i>	<u>(445,740)</u>	<u>1,247,829</u>	<u>(13,162,447)</u>	<u>149,503</u>	<u>(12,210,855)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>(2,700,440)</u>	<u>903,149</u>	<u>60,796,032</u>	<u>447,742</u>	<u>59,446,483</u>
<i>Fund Balances End of Year</i>	<u><u>(\$3,146,180)</u></u>	<u><u>\$2,150,978</u></u>	<u><u>\$47,633,585</u></u>	<u><u>\$597,245</u></u>	<u><u>\$47,235,628</u></u>

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds (\$12,210,855)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Also the value of donated assets are not recorded in the governmental funds, but are recorded as contribution revenue on the statement of activities.

Capital Asset Additions	14,188,349	
Current Year Depreciation	(1,764,541)	
Total	12,423,808	12,423,808

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the losses on the disposal of fixed assets.

Loss on Disposal of Capital Assets	(170,080)	
Total	(170,080)	(170,080)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental	2,124	
Interest	276,617	
Property Taxes	382,373	
Total	661,114	661,114

Inception of capital leases are recorded as other financing sources in the governmental funds, but are recorded as an increase of long term obligations, so it is not recorded in the statement of activities.

(971,932)

Proceeds from the sale of bonds in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.

(61,500,000)

Repayment of bond and loan principal is recorded as expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

62,410,000

Accretion of the capital appreciation bonds payable is not recorded in the governmental funds, but is recorded as an expense on the statement of activities.

(419,122)

Premium on issuance of bonds is recorded as other financing sources in the governmental funds, but the premium is recorded as part of the bond liability and therefore is not recorded in the statement of activities.

(2,254,789)

Repayment of capital lease principal is recorded as expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

250,924

In the statement of activities, interest is accrued on outstanding bonds and long-term notes payable, whereas in governmental funds, an interest expenditure is reported when due.

(207,436)

Some expenses 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.

Compensated Absences	118,178	
Pension Obligations	257,839	

Total	376,017	
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Net Change in Net Assets of Governmental Activities (\$1,612,351)

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Budgetary Basis) and Actual
General Fund*
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<i>Total Revenues and Other Financing Sources</i>	\$28,938,722	\$30,845,579	\$29,837,975	(\$1,007,604)
<i>Total Expenditures and Other Financing Uses</i>	<u>30,099,897</u>	<u>30,772,457</u>	<u>29,771,695</u>	<u>1,000,762</u>
Net Change in Fund Balance	(1,161,175)	73,122	66,280	(6,842)
Fund Balance Beginning of Year	288,832	288,832	288,832	0
Prior Year Encumbrances Appropriated	<u>477,725</u>	<u>477,725</u>	<u>477,725</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$394,618)</u></u>	<u><u>\$839,679</u></u>	<u><u>\$832,837</u></u>	<u><u>(\$6,842)</u></u>

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$101,448</u>
Liabilities:	
Undistributed Monies	<u>\$101,448</u>

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Springboro Community 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 School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1990 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44.7 square miles. It is located in Warren County, and includes the City of Springboro and Clearcreek Township and a small portion of Franklin Township. It is staffed by 181 non-certificated employees and 266 certificated full-time teaching personnel who provide services to 4,507 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

A. Reporting Entity

The reporting entity is comprised of the primary government. 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 Springboro Community 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 has no component units.

The School District is associated with three jointly governed organizations. These organizations are the Southwestern Ohio Computer Association (SWOCA), the Warren County Career Center, and the Southwestern Ohio Educational Purchasing Council.

Southwestern Ohio Computer Association - The School District is a participating member of the Southwestern Ohio Computer Association (SWOCA). SWOCA provides data services needed by the participating school districts. D. Russell Lee Vocational School serves as the fiscal agent. This is a jointly governed organization and the School District's participation is discussed in Note 17 to the Basic Financial Statements.

Warren County Career Center - The School District became a member of a cooperative agreement to establish the Warren County Career Center to provide for the vocational and special education needs of the students. The School District is not involved in the budgeting or management of the Warren County Career Center. A board member appointed by the School District's school board members serves as a member of the Warren County Career Center Board of Education. This is a jointly governed organization and the School District's participation is discussed in Note 17 to the Basic Financial Statements.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

Southwestern Ohio Educational Purchasing Council - The School District is a participating member of the Southwestern Ohio Educational Purchasing Council (the "Council"). The Council's purpose is to obtain prices for quality merchandise and services commonly used by schools. The Montgomery County Educational Service Center acts as the fiscal agent. This is a jointly governed organization and the School District's participation is discussed in Note 17 to the Basic Financial Statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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 the fiduciary funds.

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, therefore, are 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. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. The funds used by this School District can be classified using two categories, governmental and fiduciary. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific School District functions or activities.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the 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 is available to the School District for any purpose provided it is expended or transferred according to the school laws of Ohio.

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

Building Fund The Building Capital Projects Fund accounts for revenues received from the sale of School Improvement Bonds for school construction and renovation purposes.

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

Fiduciary Fund Type 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds which account for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., 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.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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 are prepared using the accrual basis of accounting. Fiduciary funds also use 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange transactions must also be available before it can be recognized.

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

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

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2005, investments were limited to STAR Ohio, overnight repurchase agreements, certificates of deposit, commercial paper, federal government agencies and instrumentalities securities, and money market mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings are allocated to the General Fund, the auxiliary services non-major special revenue fund, and the permanent fund in accordance with School District policy. Interest revenue credited to the General Fund and Building Capital Projects Fund during fiscal year 2005 amounted to \$1,472,514, and \$9,548 respectively. The non-major funds received interest in the amount of \$2,116.

For purposes of presentation on the balance sheet, 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 considered to be cash equivalents.

F. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of 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. It is not the School District's policy to capitalize interest incurred during the construction of capital assets.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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:

Description	Estimated Lives
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 15 years

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed 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. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire sick leave benefit and vacation liabilities are reported on the government-wide financial statements. On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment is paid.

H. Accrued Liabilities and Long-term Obligations

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

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

I. Interfund Activity

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

J. Fund Balance Reserves

The School District reserves those portions of fund balance 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 balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, budget stabilization and property taxes.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute.

K. 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 the 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 represents balances in special revenue funds for grants received which are restricted as to their use by grantors and the amounts restricted for set-asides (see Note 15).

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

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

M. 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 set 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 the authority to allocate appropriations to the function and object level without resolution by the Board.

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 statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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 imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by state statute to be set aside for budget stabilization. See Note 15 for additional information regarding set-asides and the budget stabilization reserve. Restricted assets in the Capital Projects Fund include amounts held in escrow for construction contracts.

O. Interfund Balances

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES/RESTATEMENT OF FUND AND NET ASSET BALANCES, ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers." GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin and GASB Statement No. 40 had no effect on the District's financial statements.

Restatement of Fund Balance/Net Assets It was determined that the Accounts Payable and Intergovernmental Receivables were misstated in the prior year. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District and net assets as they were previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Building Fund</u>	<u>Non- major</u>	<u>Total</u>
Fund Balances, June 30, 2004	(\$2,700,440)	\$903,149	\$60,796,032	\$453,723	\$59,452,464
Restatements	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,981)</u>	<u>(5,981)</u>
Adjusted Fund Balances, June 30, 2004	<u>(\$2,700,440)</u>	<u>\$903,149</u>	<u>\$60,796,032</u>	<u>\$447,742</u>	<u>59,446,483</u>
Net Assets, June 30, 2004					(\$3,309,163)
Restatements					<u>(5,981)</u>
Governmental Activities Net Assets, June 30, 2004					<u>(\$3,315,144)</u>

Net Invested in Capital Assets Restricted for Capital Outlay and Invested in Capital Assets, Net of Related Debt were restated to properly reflect unspent debt proceeds at the end of fiscal year 2004. There was no net effect on net assets at June 30, 2004 as a result of this reclassification.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES/RESTATEMENT OF FUND AND NET ASSET BALANCES, ACCOUNTABILITY AND COMPLIANCE (Continued)

Accountability At June 30, 2005, the General Fund, and the Food Service, Education Management Information System, and Summer School special revenue funds had deficit fund balances of \$3,146,180, \$200,433, \$6,972 and \$1,698. The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The General Fund provides transfers when cash is required, not when expenditures are incurred.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 (Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

GAAP Basis	(\$445,740)
Revenue Accruals	(868,492)
Expenditure Accrual	1,485,090
Encumbrances	<u>(104,578)</u>
Budget Basis	<u><u>\$66,280</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 the Board of Education has identified as not required for use within the current two-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 accounts, including passbook accounts.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Interim monies 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond; and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days in an amount not to exceed ten percent of the District's total average portfolio.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits: The School District's deposits are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered deposits which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

At fiscal year end, the carrying amount of the School District's deposits was \$3,351,602 and the bank balance was \$3,871,382. Of the bank balance:

1. \$300,000 was covered by federal depository insurance (Category 1); and
2. The remainder was uninsured and uncollateralized (Category 3) and subject to custodial risk. Non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Money Market Mutual Funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Uncategorized	Category 2	Category 3	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	\$ 28,507	\$ -	\$ -	\$ 28,507	< 1
Fifth Third US Treasury Money Market	3,395,439	-	-	3,395,439	< 1
General Electric Commercial Paper	-	798,528	-	798,528	< 1
Federal Home Loan Bank	-	3,128,307	-	3,128,307	< 1
Federal Home Loan Mortgage Corp	-	12,655,518	-	12,655,518	< 1
Federal Home Loan Mortgage Corp	-	3,107,515	-	3,107,515	1-2
Federal National Mortgage Association	-	18,381,289	-	18,381,289	< 1
Fannie Mae	-	1,654,519	-	1,654,519	< 1
Money Market AIG	2,815,073	-	-	2,815,073	< 1
Money Market Mutual Fund	10,765	-	-	10,765	< 1
Repurchase Agreements	-	-	5,502,515	5,502,515	< 1
Total Investments	\$ 6,249,784	\$ 39,725,676	\$ 5,502,515	\$ 51,477,975	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in STAR Ohio were rated AAAM by Standard & Poor’s. Investments in Fifth Third US Treasury Money Market were rated Aaa by Moody’s. Investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Fannie Mae were all rated AAA by Standard & Poor’s and Aaa by Moody’s. Investment ratings for General Electric Commercial Paper, Money Market AIG, and Money Market Mutual Fund were not available.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer; however their investment policy does stress diversification to limit potential losses. The District has invested 6.60% in Fifth Third US Treasury Money Market, 6.08% in Federal Home Loan Bank, 30.62% in Federal Home Loan Mortgage Corporation, 35.71% in Federal National Mortgage Association, 5.47% in Money Market AIG, and 10.69% in repurchase agreements.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District with the exception of the repurchase agreements.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$54,829,577	\$0
Investments:		
Federal Government Agencies/ Instrumentalities Securities	(39,725,676)	39,725,676
STAR Ohio	(28,507)	28,507
Repurchase Agreements	(5,502,515)	5,502,515
Money Market Mutual Funds	(6,221,277)	6,221,277
GASB Statement 3	<u>\$3,351,602</u>	<u>\$51,477,975</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) are for calendar 2005 taxes.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 6 - PROPERTY TAXES (Continued)

2005 real property taxes are levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

2005 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value.

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

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$583,501,130	92.02%	\$643,673,810	92.20%
Public Utility Personal	27,503,270	4.34%	30,451,610	4.36%
Tangible Personal Property	23,073,800	3.64%	24,003,310	3.44%
Total	\$634,078,200	100.00%	\$698,128,730	100.00%
 Tax Rate per \$1,000 of assessed valuation	 \$54.41		 \$60.26	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Warren County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2005, was \$479,090 and is recognized as revenue: \$341,472 in the General Fund and \$137,618 in the Bond Retirement 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 is deferred.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 7 – RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, interfund, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund	\$ 6,722
Non-major Special Revenue Funds:	
Student Intervention - Grades 1-4	10,379
High Schools That Work Grant	15,200
Special Education Part B - IDEA	42,491
Innovative Programs Title V	259
Safe and Drug Free Schools Grant	3,181
Early Childhood Special Education - IDEA	1,878
Total Non-major Special Revenue Funds	<u>73,388</u>
Total All Funds	<u>\$ 80,110</u>

NOTE 8 – CAPITAL ASSETS

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

	<u>Ending Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>06/30/05</u>
<u>Governmental Activities</u>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 2,767,770	\$ 1,970,325	\$ -	\$ 4,738,095
Construction In Progress	-	11,156,071	-	11,156,071
<i>Total Capital Assets Not Being Depreciated</i>	<u>2,767,770</u>	<u>13,126,396</u>	<u>-</u>	<u>15,894,166</u>
<i>Total Capital Assets Being Depreciated</i>				
Buildings and Improvements	41,069,386	186,010	(125,419)	41,129,977
Furniture and Equipment	6,177,537	841,943	(162,521)	6,856,959
Vehicles	2,501,872	34,000	-	2,535,872
<i>Total Capital Assets Being Depreciated</i>	<u>49,748,795</u>	<u>1,061,953</u>	<u>(287,940)</u>	<u>50,522,808</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(14,383,696)	(1,233,298)	11,497	(15,605,497)
Furniture and Equipment	(5,542,753)	(373,858)	106,363	(5,810,248)
Vehicles	(1,155,690)	(157,385)	-	(1,313,075)
<i>Total Accumulated Depreciation</i>	<u>(21,082,139)</u>	<u>(1,764,541)</u>	<u>117,860</u>	<u>(22,728,820)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>28,666,656</u>	<u>(702,588)</u>	<u>(170,080)</u>	<u>27,793,988</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 31,434,426</u>	<u>\$ 12,423,808</u>	<u>\$ (170,080)</u>	<u>\$ 43,688,154</u>

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to government functions as follows:

Instruction:		
Regular	\$	1,436,966
Special		21,245
Support Services:		
Pupil		22,391
Instructional Services		68,090
Administration		21,585
Fiscal Services		5,212
Business		7,617
Operation and Maintenance of Plant		44,879
Pupil Transportation		98,959
Central Services		614
Non-Instructional Services		20,909
Extracurricular Activities		16,074
Total Depreciation Expense	\$	<u>1,764,541</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, the School District contracted with Indiana Insurance Company for property insurance with a \$62,952,620 aggregate limit and a \$1,000 deductible and inland marine of \$64,000 limit and a \$500 deductible. Professional liability is protected by the Indiana Insurance Company with a per occurrence limit of \$2,000,000 and a \$2,000,000 aggregate limit with a \$10,000 deductible under a commercial umbrella policy.

The School District's vehicles are covered by the Nationwide Insurance Company, and it holds a \$250 comprehensive deductible and \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy.

The Travelers' Insurance Company (Harcum-Hyre agency) maintains both a \$80,000 public official bond for the Treasurer and a \$10,000 blanket bond for other employees.

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

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

The School District provides medical/surgical insurance through Anthem, dental insurance through Superior Dental and vision insurance through VSP, commercial insurance companies. Prior to September 1, 2003, the School District employed a self-insured program for dental and vision insurance. This self-insurance program was discontinued effective September 1, 2003.

Changes in the General Fund's claims liability amount in the past three fiscal years were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2003	\$53,673	\$236,793	\$227,331	\$63,135
2004	63,135	185,819	247,295	1,659
2005	1,659	0	1,659	0

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 10 – COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Director of Educational Services, and Director of Support Services. 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 255 days. Upon retirement and after being employed in the district for ten years, payment is made for twenty-five percent of the employee's accumulated sick leave up to a maximum of sixty-four days.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2005, 10.57% was the portion allocated 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 Districts required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$692,282, \$237,743, and \$451,534 respectively; 49 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$460,716 representing the unpaid contribution for fiscal year 2005, is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions in to the DC plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The DB Plan Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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 designed beneficiary is entitled to receive the member’s account balance.

Member contributions for the Combined Plan Benefits are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (SRP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion allocated to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for fiscal years ended June 30, 2005, 2004, and 2003 were \$2,035,705, \$2,110,779, and \$2,230,972 respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. \$355,036 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$154,403 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$556,130.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants eligible to receive health care benefits.

NOTE 13 - LONG TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 06/30/04	Additions	Reductions	Principal Outstanding 06/30/05	Amounts Due in One Year
Governmental Activities					
School Improvement Bond					
1996 and 1991 Refunding 5.24%	\$27,468,152	\$198,962	\$910,000	\$26,757,114	\$965,000
2004 Bond Anticipation Notes 1.75%	61,500,000	0	61,500,000	0	0
2005 Bonds 2.0 - 5.125%	0	64,906,556	63,105	64,843,451	1,065,000
Loans Payable 4.5%	1,585,000	0	122,000	1,463,000	122,000
Capital Leases Payable 7.564%	2,281,678	971,932	128,924	3,124,686	252,503
Compensated Absences	1,500,059	1,381,881	1,500,059	1,381,881	222,678
Total Governmental Activities					
Long-Term Liabilities	<u>\$94,334,889</u>	<u>\$67,459,331</u>	<u>\$64,224,088</u>	<u>\$97,570,132</u>	<u>\$2,627,181</u>

Springboro High School Addition General Obligation Bonds - On February 7, 1996, the School District issued \$32,664,632 in voted general obligation bonds for the purpose of constructing a new high school building and to refund a 1991 School Improvement bond issuance. \$6,535,000 were issued as serial bonds with interest rates ranging from 3.50% to 4.40%, and maturity dates of December 1, 1996 to December 1, 2003. \$25,045,000 are term bonds with interest rates ranging from 5.10% to 6.00%, and maturity dates of December 1, 2011, 2016, and 2023. \$1,084,632 are capital appreciation bonds with maturity dates of December 1, 2004, 2005, and 2006, with maturity amounts of \$910,000, \$965,000, and \$915,000 respectively. The capital appreciation bonds were accreted \$198,962 in fiscal year 2005 for a total outstanding bond value of \$27,757,114. The bonds were issued for a twenty-five year period. The bond value at final maturity will be \$28,655,000. The bonds will be retired from the debt service fund.

Springboro Capital Funding Loan - In 2002, Springboro Community City School District borrowed \$1,829,000 from the Ohio School Boards Association School Expanded Asset Pooled Financing Program, for the purpose of HVAC improvements throughout the School District. The loan is for a fifteen year period with final maturity at June 2017. The debt will be retired from the general fund.

Springboro School Improvement General Obligation Bonds – In July 15, 2004, Springboro Community City School District issued \$61,500,000 in General Obligation Bonds to replace the Bond Anticipation notes issued in the previous fiscal year. The additions above include a premium received of \$3,186,396 and accreted debt of \$220,160. The premium is being amortized over the life of the bonds. The bonds will be retired with revenue to be received from the sale of School Improvement Bonds. Of the \$61,165,000, \$37,210,000 are serial bonds with interest rates ranging from 2.0-5.125% and will mature in 2025. \$10,360,000, \$4,570,000, and \$9,025,000 are term bonds with interest rates of 5.00%, 4.75%, and 5.00% respectively. The term bonds mature in 2027, 2029, and 2032 respectively. \$335,000 of the total is capital appreciation bonds. \$175,000 of these capital appreciation bonds have an interest rate of 36.26% and will mature in 2010. \$160,000 of the capital appreciation bonds have an interest rate of 36.22% and will mature in 2011. The capital appreciation bonds were accreted \$220,160 in fiscal year 2005. The District paid \$900,668 in net bond issuance costs which after amortization of \$16,083 is recorded as an asset, "Deferred Issuance Costs", in the Statement of Net Assets. This asset is being amortized over the life of the bonds.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 13 - LONG TERM OBLIGATIONS (Continued)

Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund.

In prior years, the School District defeased School Improvement obligation bonds by placing the proceeds of the new bonds 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 overall debt margin of the School District as of June 30, 2005, was (\$29,347,394), with an unvoted debt margin of \$698,128. The Board of Education received approval to become a special needs district and issue bonds in an amount in excess of the nine percent debt limitation.

Principal and interest requirements to retire the school improvement bonds and the OASBO Loans outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds			OASBO Loans		
	Principal	Interest	Total	Principal	Interest	Total
2006	2,030,000	4,743,539	6,773,539	122,000	66,168	188,168
2007	2,240,000	3,721,436	5,961,436	122,000	60,613	182,613
2008	2,680,000	4,064,359	6,744,359	122,000	55,099	177,099
2009	3,050,000	3,955,978	7,005,978	122,000	49,584	171,584
2010	2,125,000	3,849,388	5,974,388	122,000	44,070	166,070
2011-2015	15,110,000	17,708,896	32,818,896	610,000	137,674	747,674
2016-2020	15,635,000	14,431,009	30,066,009	243,000	16,453	259,453
Thereafter	48,515,000	14,301,207	62,816,207	-	-	-
	<u>91,385,000</u>	<u>66,775,812</u>	<u>158,160,812</u>	<u>1,463,000</u>	<u>429,661</u>	<u>1,892,661</u>

The amortization schedule does not match the outstanding debt amounts listed on page 36 due to capital appreciation bonds which are being accreted. Also, the amount in the amortization schedule does not include \$3,123,291 in unamortized bond premium on the 2005 School Improvement General Obligation Bonds.

NOTE 14 – INTERFUND ACTIVITY

As of June 30, 2005 receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund (Major Fund)	\$ 42,077	\$ -
Non-major Special Revenue Funds:		
Chapter 2	-	3,766
Preschool	-	1,251
Title VI-B	-	8,633
Food Service	-	16,330
Student Intervention Grades 1-4	-	12,097
Total Non-major Special Revenue Funds	-	42,077
Total All Funds	<u>\$ 42,077</u>	<u>\$ 42,077</u>

The General Fund periodically provides advances to grant funds to provide temporary resources to such funds until grant monies are received at which time the advances are repaid.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 15 – 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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in restricted cash at year-end and carried forward to be used for the same purposes in future years.

As of fiscal year ended June 30, 2003, the School District is no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Cash Balance 07/01/2004	\$0	\$0	\$96,355
Current Year Set-Aside Requirement	611,200	611,200	0
Offset Credits and Prior Year Carryover	(43,969)	(209,223)	0
Qualifying Expenditures	<u>(2,040,065)</u>	<u>(6,456,733)</u>	<u>0</u>
Balance Carried Forward to FY 2006	<u>(\$1,472,834)</u>	<u>(\$6,054,756)</u>	<u>\$96,355</u>
Set Aside Reserve Cash Balance as of June 30, 2005	\$0	\$0	\$96,355

The School District had qualifying disbursements during the year that reduced the set-aside amounts below zero in the Capital Acquisition and Textbook Set-asides. These extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

NOTE 16 – CAPITALIZED LEASES – LESSEE DISCLOSURE

During previous years and in the current year, the School District entered into capitalized leases for the purchase of modular classrooms, computers, copiers and to construct a new central office. The terms of each agreement provide options to purchase the equipment. Each lease meets 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 in the financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Springboro Refunding/Land Lease-Purchase Agreement – In October 2003 Springboro City Community School District entered into a lease-purchase agreement in the amount of \$1,064,000 to purchase land for the district and to refinance part of the 2001 school bus purchase loan. The agreement is for 28 years with a final maturity in 2032. The debt will be paid from the General Fund.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 16 – CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)

Springboro Refunding/Lease-Purchase Agreement – In June 2004 Springboro City Community School District entered into a lease-purchase agreement in the amount of \$988,000 to refinance a capital lease and part of the school bus purchase loan. The agreement is for 28 years with a final maturity in 2032. The debt will be paid from the General Fund.

School Bus Lease - During 2005 Springboro City Community School District entered into a lease agreement in the amount of \$206,310 to purchase four school buses. The agreement is for 10 years with a final maturity in 2014. The debt will be paid from the General Fund.

Computer Lease - During 2005 Springboro City Community School District entered into a lease agreement in the amount of \$55,683 to purchase computers. The agreement is for 36 months, to be paid quarterly, with a final maturity in 2007. The debt will be paid from the Public School Support Fund.

Copier Lease - During 2005 Springboro City Community School District entered into a lease agreement in the amount of \$709,939 to purchase 21 copiers. The agreement is for 60 months, to be paid monthly, with a final maturity in 2010. The debt will be paid from the General Fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Minimum Lease Payment</u>
2006	\$ 470,569
2007	387,986
2008	328,948
2009	329,281
2010	275,849
2011-2015	816,092
2016-2020	716,928
Thereafter	<u>1,844,010</u>
Total	5,169,663
Less: Amount Representing Interest	<u>(2,044,977)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 3,124,686</u></u>

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Computer Association- The School District is a participant in the Southwestern Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Warren, Butler, and Preble Counties and Loveland City Schools. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of SWOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Michael Crumley, Executive Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Warren County Career Center- The Warren County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from the participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Warren County Career Center is not part of the School District and its operations are not included as part of the reporting entity. The School District gave no financial contributions during the fiscal year. Financial information can be obtained from Evelyn Sellman, Treasurer, at 3525 SR48 North, Lebanon, Ohio 45036.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. The School District gave no financial contributions during the fiscal year. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

NOTE 18 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

On March 4, 2003, the Plaintiffs filed a motion with the Common Pleas Court of Perry County requesting that such Court schedule and conduct a conference to address the State's compliance with the orders of such Court and the Supreme Court. On May 16, 2003, the Ohio Supreme Court granted a Writ of Prohibition as filed by the State and ordered the Common Pleas Court of Perry County to dismiss the motion for a compliance conference. The Ohio Supreme Court further stated again its ruling made on December 11, 2002.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 19 - CONTINGENCIES

A. Grants

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

B. Litigation

The School District is currently party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 20 – CONTRACT COMMITMENTS

As of June 30, 2005, the School District had contractual purchase commitments for the construction of new school facilities as follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/05</u>
A. H. Sturgill	\$ 1,691,800	\$ 587,376	\$ 1,104,424
Avenue Fabricating	3,282,623	119,776	3,162,847
Baker Concrete	1,669,700	703,728	965,972
Beacon Electric	4,010,400	151,103	3,859,297
Blankenship Masonry	5,158,066	417,058	4,741,008
Cincy Fireprotection	380,600	16,438	364,162
Cleveland Construction	2,199,400	39,092	2,160,308
Empire	1,234,500	35,124	1,199,376
Feldkamp Enterprises	3,657,600	149,690	3,507,910
Feldkamp Enterprises	504,000	5,000	499,000
G. C. Pace	187,600	7,000	180,600
Gil Ruehl Plumbing	476,078	62,321	413,757
Loveland Excavating	584,970	215,780	369,190
Performance Site	1,352,270	897,569	454,701
Slagle Mechanical	743,500	66,678	676,822
Hemm's Glass	768,768	6,653	762,115
Bushong Restaurant Equip.	703,954	-	703,954
Spectra Contract Flooring	860,000	-	860,000
Stonecreek Interiors	770,900	22,356	748,544
Trucco Construction	1,062,187	713,084	349,103
Total	<u>\$ 31,298,916</u>	<u>\$ 4,215,826</u>	<u>\$ 27,083,090</u>

NOTE 21 – SUBSEQUENT EVENTS

In November 2005, voters of the District approved a 10.06 mill emergency operating levy to finance day-to-day operational expenses as well as needed repair and maintenance projects to school facilities throughout the District.

In December 2005, the Springboro Community City School District issued \$1,500,000 in Tax Anticipation Notes.

Springboro Community City School District
Warren County
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$ -	\$ 59,996	\$ -	\$ 59,996
National School Lunch Program	LLP4	10.555	111,323	-	111,323	-
Total United States Department of Agriculture - Nutrition Cluster			111,323	59,996	111,323	59,996
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster</i>						
Special Education - Grants to States	6BSF	84.027	605,483	-	578,069	-
Special Education - Preschool Grants	PGS1	84.173	21,320	-	19,325	-
<i>Total Special Education Cluster</i>			626,803	-	597,394	-
<i>Safe and Drug-Free Schools and Communities -</i>						
State Grants	DRS1	84.186	9,571	-	7,995	-
State Grants for Innovative Programs	C2S1	84.298	25,594	-	26,614	-
Improving Teacher Quality State Grants	TRS1	84.367	59,537	-	55,525	-
Total United States Department of Education			721,505	-	687,528	-
United States Department of Homeland Security						
<i>Passed through Ohio Department of Public Safety</i>						
Public Assistance Grant Program	EM-3198-OH	97.036	7,118	-	7,118	-
Total United States Department of Homeland Security			7,118	-	7,118	-
Total Federal Financial Assistance			<u>\$ 839,946</u>	<u>\$ 59,996</u>	<u>\$ 805,969</u>	<u>\$ 59,996</u>

NA - Not Available

See accompanying notes to the schedule of federal awards expenditures

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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

BALESTRA, HARR & SCHERER CPAs, INC.

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Ohio Society of Certified Public Accountants

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*

Members of the Board
Springboro Community City School District
1685 South Main Street
Springboro, OH 45066

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Springboro Community City School District (the District), Warren County, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 12, 2006, wherein we indicated the District implemented GASB Statement No. 40 and GASB Technical Bulletin No. 2004-2. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract 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 the management of the District in a separate letter dated May 12, 2006.

Members of the Board
Springboro Community City School District
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*
Page 2

This report is intended solely for the information and use of the audit committee, management, members of the Board, 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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

May 12, 2006

BALESTRA, HARR & SCHERER CPAs, INC.

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Ohio Society of Certified Public Accountants

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board
Springboro Community City School District
1685 South Main Street
Springboro, OH 45066

Compliance

We have audited the compliance of Springboro Community City School District (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 its major federal programs for the year ended June 30, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 its major federal program for the year ended June 30, 2005.

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 internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the audit committee, management, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.

May 12, 2006

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(I)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(I)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(I)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(I)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(I)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(I)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(I)(vi)</i>	Are there any reportable findings under .510?	No
<i>(d)(I)(vii)</i>	Major Program (list):	Special Education Cluster CFDA # 84.027 & 84.173
<i>(d)(I)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(I)(ix)</i>	Low Risk Auditee?	Yes

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
JUNE 30, 2005
(Continued)**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT
WARREN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 22, 2006**