

**SPRINGBORO COMMUNITY  
CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2006

With

Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Springboro Community City School District  
1685 South Main Street  
Springboro, Ohio 45066

We have reviewed the *Independent Auditors Report* of the Springboro Community City School District, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 6, 2007

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# SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Springboro Community City School District:

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 School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Springboro Community City School District as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2007 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
March 9, 2007



**Springboro Community City School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2006*

*Unaudited*

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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, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

**Key financial highlights for the fiscal year 2006 are as follows:**

- Net assets of governmental activities increased \$7,795,269.
- General revenues accounted for \$39,926,881 in revenue or 88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,404,201 or 12% of total revenues of \$45,331,082.
- The School District had \$37,535,813 in expenses related to governmental activities; only \$5,404,201 of these expenses were offset by program specific charges for services and sales, grants and contributions.
- All governmental funds had total revenues of \$46,129,381 and other financing sources of \$2,093,806 and expenditures of \$82,916,701 and other financing uses of \$859,136.

**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 2006?" 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, 2006*

*Unaudited*

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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 Fiduciary 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 Debt Service 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 Funds.*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities, and private purpose trust funds which are used to maintain the financial activity of the School District's Scholarship Funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide financial statements.

**Springboro Community City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

Table 1  
Net Assets

	Governmental Activities	
	2006	2005*
<b>Assets</b>		
Current and Other Assets	\$53,308,128	\$80,676,253
Capital Assets	87,094,103	43,688,154
Total Assets	<u>140,402,231</u>	<u>124,364,407</u>
<b>Liabilities</b>		
Long-term Liabilities	96,799,824	97,570,132
Current and Other Liabilities	40,946,953	31,934,090
Total Liabilities	<u>137,746,777</u>	<u>129,504,222</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	470,810	(4,938,955)
Restricted	3,371,958	2,453,245
Unrestricted	<u>(1,187,314)</u>	<u>(2,654,105)</u>
Total Net Assets	<u><u>\$2,655,454</u></u>	<u><u>(\$5,139,815)</u></u>

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

The decrease in current and other assets, as well as, the increase to capital assets is due primarily to the increase of capital outlay expenditures for the District's construction projects. The increase in deferred revenue is due primarily to an increase in taxes receivable estimates of the District. The increase is due to an increase in tax rates from the 10.06 mill emergency operating levy.

**Springboro Community City School District, Ohio**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2006  
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006 as compared to 2005.

Table 2  
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005*
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$2,129,029	\$1,707,227
Operating Grants and Contributions	3,250,172	3,086,045
Capital Grants and Contributions	25,000	48,180
Total Program Revenues	<u>5,404,201</u>	<u>4,841,452</u>
General Revenues		
Property Taxes	25,512,323	19,030,121
Grants, Entitlements and Contributions Not Restricted	12,449,018	11,615,074
Gifts and Donations Not Restricted	22,110	0
Investment Earnings	1,488,313	1,758,679
Miscellaneous	455,117	669,566
Total General Revenues	<u>39,926,881</u>	<u>33,073,440</u>
Total Revenues	<u>45,331,082</u>	<u>37,914,892</u>
<b>Program Expenses</b>		
Instruction:		
Regular	15,274,868	16,333,041
Special	2,152,937	2,174,697
Vocational	153,485	96,083
Other	91,268	351,680
Support Services:		
Pupils	2,351,360	1,748,915
Instructional Staff	2,327,027	2,545,738
Board of Education	123,869	147,778
Administration	1,933,157	1,977,435
Fiscal	904,780	851,117
Business	112,355	109,650
Operation and Maintenance of Plant	2,918,247	2,689,833
Pupil Transportation	2,251,166	2,514,956
Central	151,518	101,522
Operation of Non-Instructional Services	1,121,488	1,287,512
Extracurricular Activities	1,012,247	1,118,062
Interest and Fiscal Charges	4,656,041	5,479,224
Total Expenses	<u>37,535,813</u>	<u>39,527,243</u>
Increase (Decrease) in Net Assets	7,795,269	(1,612,351)
Net Assets at Beginning of Year	<u>(5,139,815)</u>	<u>(3,527,464)</u>
Net Assets at End of Year	<u>\$2,655,454</u>	<u>(\$5,139,815)</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, 2006*

*Unaudited*

**Governmental Activities**

Charges for services and sales comprised 5 percent of revenue for governmental activities, operating grants and contributions comprised 7 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 2006. Property tax revenue comprised 56 percent of revenue for governmental activities. Grants and Entitlements, not restricted for specific programs, comprised 27 percent of revenue for governmental activities.

The increase in tax revenue is due to the passage of a 10.06 mill operating levy by voters within the District.

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 and sales, 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>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program Expenses				
Instruction:				
Regular	\$15,274,868	\$15,019,234	\$16,333,041	\$16,031,889
Special	2,152,937	1,416,625	2,174,697	1,484,461
Vocational	153,485	153,206	96,083	95,898
Other	91,268	90,983	351,680	351,004
Support Services:				
Pupils	2,351,360	1,310,471	1,748,915	1,714,016
Instructional Staff	2,327,027	2,138,168	2,545,738	2,358,137
Board of Education	123,869	123,638	147,778	145,647
Administration	1,933,157	1,917,293	1,977,435	1,963,835
Fiscal	904,780	890,504	851,117	840,745
Business	112,355	112,080	109,650	109,454
Operation and Maintenance of Plant	2,918,247	2,901,813	2,689,833	2,679,643
Pupil Transportation	2,251,166	2,245,362	2,514,956	1,556,877
Central	151,518	141,492	101,522	81,538
Operation of Non-Instructional Services	1,121,488	(405,526)	1,287,512	(166,201)
Extracurricular Activities	1,012,247	(132,878)	1,118,062	333,946
Interest and Fiscal Charges	4,656,041	4,209,147	5,479,224	5,104,902
<b>Total</b>	<b><u>\$37,535,813</u></b>	<b><u>\$32,131,612</u></b>	<b><u>\$39,527,243</u></b>	<b><u>\$34,685,791</u></b>

**Springboro Community City School District, Ohio**

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

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**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 Debt Service Fund. The General Fund had \$36,224,378 in revenues and \$30,285,345 in expenditures. The General Fund's balance increased \$6,314,567 due primarily to the increase in tax revenue received by the District. The Building Capital Project Fund had \$11,888 in revenues \$859,136 in other financing sources and \$43,575,563 in expenditures, resulting in a \$42,704,539 decrease in fund balance due to the increase in capital outlay expenditures. The Bond Retirement Fund had \$6,682,896 in revenues and \$6,012,097 in expenditures, resulting in a \$670,799 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 2006, the School District amended its General Fund budget.

For the General Fund, original budget basis revenue was \$33,573,586, below final estimates of \$38,444,800. Of this \$4,871,214 difference, most was due to more property tax monies being received. For the General Fund, expenditures and encumbrances were \$34,374,713, below final estimates of \$35,392,997. Of this \$1,018,284 difference, most was due to conservative budgeting of the School District. Original appropriations were \$4,098,861 less than final budgeted appropriations due to an increase in budget amounts for principal payments of the \$1.5 million tax anticipation note and pupil transportation expenditures for the lease purchase agreement. The School District's ending unobligated General Fund balance was \$5,108,784.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2006, the School District had \$87,094,103 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared to 2005.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2006	2005
Land	\$4,738,095	\$4,738,095
Construction in Progress	53,596,629	11,156,071
Buildings & Improvements	24,827,067	25,524,480
Furniture and Equipment	1,395,645	1,046,711
Vehicles	2,536,667	1,222,797
Totals	<u>\$87,094,103</u>	<u>\$43,688,154</u>

The increase to capital assets is due primarily to the addition of construction in progress for the School District's construction program. 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, 2006*

*Unaudited*

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***Debt***

At June 30, 2006, the School District had general obligation bonds outstanding of \$89,858,278. The bonds were issued for school construction. The District also had loans outstanding and capital leases payable of \$5,447,853 issued for various capital acquisition purposes. For additional information regarding debt, see Note 13 to the basic financial statements.

**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, 2006*

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$17,245,040
Accounts Receivable	8,384
Intergovernmental Receivable	22,044
Property Taxes Receivable	34,289,304
Restricted Cash and Cash Equivalents	96,355
Restricted Cash and Cash Equivalents with Escrow Agents	794,582
Deferred Issuance Costs	852,419
Nondepreciable Capital Assets	58,334,724
Depreciable Capital Assets, Net	28,759,379
 Total Assets	 140,402,231
Liabilities:	
Accounts Payable	260,610
Contracts Payable	2,419,585
Accrued Wages and Benefits Payable	3,340,267
Payable from Restricted Assets:	
Retainage Payable	794,582
Accrued Interest Payable	336,018
Matured Compensated Absences Payable	29,749
Unearned Revenue	32,869,572
Intergovernmental Payable	896,570
Long-Term Liabilities:	
Due Within One Year	2,961,658
Due In More Than One Year	93,838,166
 Total Liabilities	 137,746,777
Net Assets:	
Invested in Capital Assets, Net of Related Debt	470,810
Restricted for:	
Debt Service	2,890,902
Other Purposes	481,056
Unrestricted	(1,187,314)
 Total Net Assets	 \$2,655,454

See accompanying notes to the basic financial statements



**Springboro Community City School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2006

		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	\$15,274,868	\$75,702	\$177,945	\$1,987	(\$15,019,234)
Special	2,152,937	45,463	690,849	0	(1,416,625)
Vocational	153,485	279	0	0	(153,206)
Other	91,268	285	0	0	(90,983)
Support Services:					
Pupils	2,351,360	21,442	1,019,447	0	(1,310,471)
Instructional Staff	2,327,027	43,596	145,123	140	(2,138,168)
Board of Education	123,869	231	0	0	(123,638)
Administration	1,933,157	6,514	9,350	0	(1,917,293)
Fiscal	904,780	1,430	11,727	1,119	(890,504)
Business	112,355	275	0	0	(112,080)
Operation and Maintenance of Plant	2,918,247	5,611	1,628	9,195	(2,901,813)
Pupil Transportation	2,251,166	4,845	959	0	(2,245,362)
Central	151,518	2,340	7,686	0	(141,492)
Operation of Non-Instructional Services	1,121,488	995,632	531,382	0	405,526
Extracurricular Activities	1,012,247	924,905	220,220	0	132,878
Interest and Fiscal Charges	4,656,041	479	433,856	12,559	(4,209,147)
<b>Totals</b>	<b>\$37,535,813</b>	<b>\$2,129,029</b>	<b>\$3,250,172</b>	<b>\$25,000</b>	<b>(32,131,612)</b>
General Revenues					
Property Taxes Levied for:					
General Purposes					19,211,459
Debt Service					6,300,864
Grants, Entitlements and Contributions not					
Restricted to Specific Programs					12,449,018
Gifts and Donations not Restricted to Specific Programs					22,110
Investment Earnings					1,488,313
Miscellaneous					455,117
Total General Revenues					39,926,881
Change in Net Assets					7,795,269
<i>Net Assets Beginning of Year - As Restated, See Note 3</i>					(5,139,815)
Net Assets End of Year					\$2,655,454

See accompanying notes to the basic financial statements

**Springboro Community City School District, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2006*

	General	Bond Retirement	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$6,569,906	\$2,596,777	\$7,348,631	\$729,726	\$17,245,040
<b>Receivables:</b>					
Property Taxes	27,551,703	6,737,601	0	0	34,289,304
Accounts	8,384	0	0	0	8,384
Interfund	32,212	0	0	0	32,212
Intergovernmental	0	0	0	22,044	22,044
<b>Restricted Assets:</b>					
Cash and Cash Equivalents	96,355	0	0	0	96,355
Cash and Cash Equivalents with Escrow Agents	0	0	794,582	0	794,582
<b>Total Assets</b>	<b>\$34,258,560</b>	<b>\$9,334,378</b>	<b>\$8,143,213</b>	<b>\$751,770</b>	<b>\$52,487,921</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$242,714	\$0	\$0	\$17,896	\$260,610
Accrued Wages and Benefits Payable	3,244,792	0	0	95,475	3,340,267
Contracts Payable	0	0	2,419,585	0	2,419,585
Matured Compensated Absences Payable	29,749	0	0	0	29,749
Interfund Payable	0	0	0	32,212	32,212
Intergovernmental Payable	849,216	0	0	47,354	896,570
<b>Payable from Restricted Assets:</b>					
Retainage Payable	0	0	794,582	0	794,582
Deferred Revenue	26,723,702	6,512,601	0	7,385	33,243,688
<b>Total Liabilities</b>	<b>31,090,173</b>	<b>6,512,601</b>	<b>3,214,167</b>	<b>200,322</b>	<b>41,017,263</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	1,492,689	0	5,901,659	56,641	7,450,989
Reserved for Property Taxes	828,000	225,000	0	0	1,053,000
Reserved for Budget Stabilization	96,355	0	0	0	96,355
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	751,343	0	0	0	751,343
Special Revenue Funds	0	0	0	449,231	449,231
Debt Service Funds	0	2,596,777	0	0	2,596,777
Capital Projects Funds	0	0	(972,613)	45,576	(927,037)
<b>Total Fund Balances</b>	<b>3,168,387</b>	<b>2,821,777</b>	<b>4,929,046</b>	<b>551,448</b>	<b>11,470,658</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$34,258,560</b>	<b>\$9,334,378</b>	<b>\$8,143,213</b>	<b>\$751,770</b>	<b>\$52,487,921</b>

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  
 June 30, 2006*

<b>Total Governmental Fund Balances</b>		\$11,470,658
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.		87,094,103
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	7,385	
Unamortized Financing Costs	852,419	
Property Taxes	366,731	
Total	1,226,535	1,226,535
Accrued Interest Payable related to long term obligations is not reported in the funds.		(336,018)
Long-Term Liabilities, including bonds, the long-term portion of compensated absences, capital leases and loans payable and therefore are not reported in the funds.		
Compensated Absences	(1,493,693)	
Capital Lease Obligations	(4,106,853)	
School Improvement Bonds - 1996 and 1991	(25,917,118)	
School Improvement Bonds Payable - 2005	(63,941,160)	
Loans Payable	(1,341,000)	
Total	(96,799,824)	(96,799,824)
<b>Net Assets of Governmental Activities</b>		<b>\$2,655,454</b>

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, 2006*

	General	Bond Retirement	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$19,807,526	\$6,231,739	\$0	\$0	\$26,039,265
Intergovernmental	13,940,815	445,583	0	1,266,788	15,653,186
Investment Earnings	1,764,620	310	0	0	1,764,930
Customer Sales and Services	0	0	0	850,690	850,690
Tuition and Fees	47,474	0	0	358,028	405,502
Rent	9,130	0	0	0	9,130
Extracurricular Activities	291,562	0	0	572,146	863,708
Gifts and Donations	22,110	0	10,000	55,743	87,853
Miscellaneous	341,141	5,264	1,888	106,824	455,117
<i>Total Revenues</i>	<u>36,224,378</u>	<u>6,682,896</u>	<u>11,888</u>	<u>3,210,219</u>	<u>46,129,381</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	14,827,792	0	0	460,646	15,288,438
Special	1,764,202	0	0	373,664	2,137,866
Vocational	151,583	0	0	0	151,583
Other	91,268	0	0	0	91,268
<b>Support Services:</b>					
Pupils	2,167,828	0	0	153,508	2,321,336
Instructional Staff	1,938,632	0	0	339,198	2,277,830
Board of Education	125,664	0	0	0	125,664
Administration	1,896,714	0	0	22,559	1,919,273
Fiscal	787,509	104,806	17,638	0	909,953
Business	107,971	0	0	0	107,971
Operation and Maintenance of Plant	2,758,092	0	144,945	3,928	2,906,965
Pupil Transportation	2,369,707	0	0	2,313	2,372,020
Central	132,762	0	0	17,054	149,816
Operation of Non-Instructional Services	13,254	0	0	1,122,013	1,135,267
Extracurricular Activities	499,235	0	0	531,087	1,030,322
Capital Outlay	33,337	0	43,215,000	0	43,248,337
<b>Debt Service:</b>					
Principal	356,777	2,030,000	0	17,726	2,404,503
Interest and Fiscal Charges	263,018	3,877,291	197,980	0	4,338,289
<i>Total Expenditures</i>	<u>30,285,345</u>	<u>6,012,097</u>	<u>43,575,563</u>	<u>3,043,696</u>	<u>82,916,701</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,939,033</u>	<u>670,799</u>	<u>(43,563,675)</u>	<u>166,523</u>	<u>(36,787,320)</u>
<b>Other Financing Sources (Uses):</b>					
Inception of Capital Lease	1,234,670	0	0	0	1,234,670
Transfers In	0	0	859,136	0	859,136
Transfers Out	(859,136)	0	0	0	(859,136)
<i>Total Other Financing Sources (Uses)</i>	<u>375,534</u>	<u>0</u>	<u>859,136</u>	<u>0</u>	<u>1,234,670</u>
<i>Net Change in Fund Balances</i>	6,314,567	670,799	(42,704,539)	166,523	(35,552,650)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>(3,146,180)</u>	<u>2,150,978</u>	<u>47,633,585</u>	<u>384,925</u>	<u>47,023,308</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,168,387</u></u>	<u><u>\$2,821,777</u></u>	<u><u>\$4,929,046</u></u>	<u><u>\$551,448</u></u>	<u><u>\$11,470,658</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, 2006*

**Net Change in Fund Balances - Total Governmental Funds** (\$35,552,650)

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 depreciation exceeded capital outlays in the current period.

Capital Asset Additions	45,413,846	
Current Year Depreciation	<u>(1,767,858)</u>	
Total		43,645,988

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	<u>(240,039)</u>	
Total		(240,039)

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

Intergovernmental	5,260	
Interest	(276,617)	
Property Taxes	<u>(526,942)</u>	
Total		(798,299)

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.

(1,234,670)

Repayment of bond, notes, 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.

2,152,000

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.

(367,914)

The amortization of debt issuance costs and premiums are reported as expenditures in the governmental funds but are not reported in the statement of activities.

48,035

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.

252,503

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.

2,127

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.

Increase in Compensated Absences	<u>(111,812)</u>	
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Total		<u>(111,812)</u>
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**Net Change in Net Assets of Governmental Activities** \$7,795,269

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, 2006*

	<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>	\$33,573,586	\$38,444,800	\$38,493,547	\$48,747
<i>Total Expenditures and Other Financing Uses</i>	<u>31,294,136</u>	<u>35,392,997</u>	<u>34,374,713</u>	<u>1,018,284</u>
Net Change in Fund Balance	2,279,450	3,051,803	4,118,834	1,067,031
Fund Balance Beginning of Year	832,855	832,855	832,855	0
Prior Year Encumbrances Appropriated	<u>157,095</u>	<u>157,095</u>	<u>157,095</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,269,400</u></u>	<u><u>\$4,041,753</u></u>	<u><u>\$5,108,784</u></u>	<u><u>\$1,067,031</u></u>

See accompanying notes to the basic financial statements

**Springboro Community City School District, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2006*

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$846,418	\$101,763
<b>LIABILITIES:</b>		
Undistributed Monies	0	\$101,763
<b>NET ASSETS:</b>		
Held in Trust for Scholarships	\$846,418	

See accompanying notes to the basic financial statements

**Springboro Community City School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2006*

	Private Purpose Trust Fund
ADDITIONS:	
Interest	\$4,524
Gifts and Contributions	700,543
Total Additions	705,067
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	70,969
Change in Net Assets	634,098
Net Assets Beginning of Year - Restated, See Note 3	212,320
Net Assets End of Year	\$846,418

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, 2006*

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**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 185 non-certificated employees and 277 certificated full-time teaching personnel who provide services to 4,758 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, 2006*

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**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 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, 2006*

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

***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 managed activities and private purpose trust funds which are used to account for the financial activity of the School District's Scholarship Funds.

***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, 2006*

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements 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, 2006, but which were levied to finance fiscal year 2007 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, 2006*

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**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 and the statement of net assets.

During fiscal year 2006, investments were limited to STAR Ohio, overnight repurchase agreements, certificates of deposit and Federal Home Loan Mortgage Corp. Bonds.

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 2006. 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, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund and Bond Retirement Fund during fiscal year 2006 amounted to \$1,764,620 and \$310, respectively.

For purposes of presentation on the financial statements, 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.

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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 and compensated absences 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. 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, 2006*

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**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.

Of the District's \$3,371,958 restricted net assets, \$0 is restricted by enabling legislation.

***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, 2006*

**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. The District maintains contractor retainages in various bank accounts and these amounts are reported as "Cash and Cash Equivalents with Escrow Agent" on the financial statements.

***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.

***P. Unamortized Bond Issuance Costs/Bond Premium and Discount***

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the basic financial statements.

Bond premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

On the governmental-wide financial statements, issuance costs, accretion and bond premiums are recognized in the current period.

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES/RESTATEMENT OF FUND AND NET ASSET BALANCES**

For the fiscal year 2006, the School District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

The restated fund balance amount for governmental funds and the restated net asset amount for government programs and fiduciary funds reflect the change in net assets for governmental funds at June 30, 2005 and were due to the reclassification of funds from a special revenue fund to a private purpose trust fund.

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
Fund Balances, June 30, 2005	\$ (3,146,180)	\$ 2,150,978	\$ 47,633,585	\$ 597,245	\$ 47,235,628
Fund Reclassification	-	-	-	(212,320)	(212,320)
Restated Fund Balances, June 30, 2005	<u>\$ (3,146,180)</u>	<u>\$ 2,150,978</u>	<u>\$ 47,633,585</u>	<u>\$ 384,925</u>	<u>\$ 47,023,308</u>



**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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

	<u>Fiduciary Funds</u>		
	<u>Private Purpose</u>		<u>Governmental</u>
	<u>Trust Fund</u>		<u>Activities</u>
Net Assets, June 30, 2005	\$ -		\$ (4,927,495)
Fund Reclassification	212,320		(212,320)
Restated Net Assets, June 30, 2005	<u>\$ 212,320</u>		<u>\$ (5,139,815)</u>

**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	\$6,314,567
Revenue Accruals	(465,501)
Expenditure Accrual	(213,499)
Encumbrances	<u>(1,516,733)</u>
Budget Basis	<u>\$4,118,834</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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

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.

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; and
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, 2006*

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

*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. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$3,917,867, of the District's bank balance of \$5,112,707 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

As of June 30, 2006, the School District had the following investments and maturities:

	<u>Carrying/Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	\$ 29,690	< 1 year
Repurchase Agreement	12,378,669	< 1 year
FHLMC Bonds	<u>3,055,000</u>	< 1 year
Total Investments	<u><u>\$ 15,463,359</u></u>	

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.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy limits investments to those authorized by State statute. Investments in STAR Ohio were rated AAAM by Standard & Poor's. Investments in Federal Home Loan Mortgage Corporation Bonds were rated AAA by Standard & Poor's and Aaa by Moody's.

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 School District places no limit on the amount it may invest in any one issuer. The District has invested 0.10% in STAR Ohio, 80.10% in Repurchase Agreements, and 19.8% in Federal Home Loan Mortgage Corporation Bonds.

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 which are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the District's name.

The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

**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 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax payments received during calendar 2006 for tangible personal property (other than public utility property) are for calendar 2006 taxes.

2006 real property taxes are levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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. 2006 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006, and are collected in 2006 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$643,673,810	92.20%	\$699,784,410	93.73%
Public Utility Personal	30,451,610	4.36%	29,576,900	3.96%
Tangible Personal Property	24,003,310	3.44%	17,227,609	2.31%
<b>Total</b>	<b>\$698,128,730</b>	<b>100.00%</b>	<b>\$746,588,919</b>	<b>100.00%</b>
 Tax Rate per \$1,000 of assessed valuation	 \$60.26		 \$69.77	

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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the 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, 2006, was \$1,053,000 and is recognized as revenue: \$828,000 in the General Fund and \$225,000 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.

**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2006, 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>
Other Governmental Funds:	
Ohio Read Grant	\$4,964
Chapter 2	2,012
Drug Free Grant	2,421
Title VI-R	12,647
Total Other Governmental Funds	<u>22,044</u>
Total All Funds	<u><u>\$22,044</u></u>

**NOTE 8 – CAPITAL ASSETS**

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

	<u>Ending Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>06/30/06</u>
<b><u>Governmental Activities</u></b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 4,738,095	\$ -	\$ -	\$ 4,738,095
Construction In Progress	11,156,071	42,440,558	-	53,596,629
<i>Total Capital Assets Not Being Depreciated</i>	<u>15,894,166</u>	<u>42,440,558</u>	<u>-</u>	<u>58,334,724</u>
<i>Total Capital Assets Being Depreciated</i>				
Buildings and Improvements	41,129,977	715,930	(186,010)	41,659,897
Furniture and Equipment	6,856,959	776,288	(532,905)	7,100,342
Vehicles	2,535,872	1,481,070	(121,978)	3,894,964
<i>Total Capital Assets Being Depreciated</i>	<u>50,522,808</u>	<u>2,973,288</u>	<u>(840,893)</u>	<u>52,655,203</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(15,605,497)	(1,239,734)	12,401	(16,832,830)
Furniture and Equipment	(5,810,248)	(382,897)	488,448	(5,704,697)
Vehicles	(1,313,075)	(145,227)	100,005	(1,358,297)
<i>Total Accumulated Depreciation</i>	<u>(22,728,820)</u>	<u>(1,767,858)</u>	<u>600,854</u>	<u>(23,895,824)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>27,793,988</u>	<u>1,205,430</u>	<u>(240,039)</u>	<u>28,759,379</u>
<i>Governmental Activities Capital Assets, Net</i>	<u><u>\$ 43,688,154</u></u>	<u><u>\$ 43,645,988</u></u>	<u><u>\$ (240,039)</u></u>	<u><u>\$ 87,094,103</u></u>

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 8 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$ 1,382,438
Special	29,884
Support Services:	
Pupils	22,633
Instructional Staff	85,461
Board of Education	200
Administration	27,622
Fiscal Services	7,201
Business	11,841
Operation and Maintenance of Plant	42,488
Pupil Transportation	123,634
Central Services	493
Operation of Non-Instructional Services	13,983
Extracurricular Activities	19,980
Total Depreciation Expense	<u>\$ 1,767,858</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 2006, 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.

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**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 contacting SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2006, 10.58% 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, 2006, 2005, and 2004 were \$578,537, \$692,282, and \$237,743 respectively; 54 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$351,288 representing the unpaid contribution for fiscal year 2006, 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, 2006*

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**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 31<sup>st</sup> 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, 2006*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion 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, 2006, 2005, and 2004 were \$2,155,582, \$2,035,705, and \$2,110,779 respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$379,884 represents the unpaid contribution for fiscal year 2006 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, 2006, 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, 2006, 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 \$165,990 for fiscal year 2006.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2006, the balance in the Funds was \$3.5 billion. For the year ended June 30, 2006 net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. At June 30, 2006, the healthcare allocation was 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For Fiscal 2006, the minimum pay has been established as \$35,800. 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 2006 fiscal year equaled \$723,800.

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

**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, 2006 were \$158,751,207. 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, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. SERS has 59,492 participants eligible to receive health care benefits.

**NOTE 13 - LONG TERM OBLIGATIONS**

	Principal Outstanding 06/30/05	Additions	Reductions	Principal Outstanding 06/30/06	Amounts Due in One Year
<b>Governmental Activities</b>					
School Improvement Bond					
1996 and 1991 Refunding 5.24%	\$26,757,114	\$125,004	\$965,000	\$25,917,118	\$915,000
2005 Bonds	64,843,451	242,910	1,145,201	63,941,160	1,325,000
Capital Funding Loan Payable	1,463,000	0	122,000	1,341,000	122,000
Capital Leases Payable	3,124,686	1,234,670	252,503	4,106,853	336,124
Compensated Absences	1,381,881	1,493,693	1,381,881	1,493,693	263,534
Total Governmental Activities					
Long-Term Liabilities	<u>\$97,570,132</u>	<u>\$3,096,277</u>	<u>\$3,866,585</u>	<u>\$96,799,824</u>	<u>\$2,961,658</u>

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

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 \$125,004 in fiscal year 2006. 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 balance above includes a premium received and accreted debt. The bonds will be retired from the Debt Service Fund. Of the \$61,165,000, \$31,210,000 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 maturity of these term bonds are 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 \$242,910 in fiscal year 2006.

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

**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, 2006, was (\$24,006,275), with an unvoted debt margin of \$746,589. 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, 2006, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds			OASBO Loans		
	Principal	Interest	Total	Principal	Interest	Total
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	2,338,000	1,118,842	3,456,842	122,000	38,556	160,556
2012-2016	14,272,000	17,348,849	31,620,849	610,000	110,102	720,102
2017-2021	16,160,000	14,088,247	30,248,247	121,000	5,469	126,469
2022-2026	22,535,000	9,020,877	31,555,877	-	-	-
2027-2031	17,680,000	4,252,442	21,932,442	-	-	-
2032-2033	6,275,000	611,855	6,886,855	-	-	-
	<u>\$89,355,000</u>	<u>\$62,032,273</u>	<u>\$151,387,273</u>	<u>\$1,341,000</u>	<u>\$363,494</u>	<u>\$1,704,494</u>

The amortization schedule does not match the outstanding debt amounts listed on page 36 due to capital appreciation bonds and unamortized bond premiums.

**NOTE 14 – INTERFUND ACTIVITY**

As of June 30, 2006 receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund (Major Fund)	\$ 32,212	\$ -
Non-major Governmental Funds:		
Chapter 2	-	4,763
Preschool	-	1,251
Title VI-B	-	8,633
Food Service	-	16,330
Title VI-R	-	1,235
Total Non-major Governmental Funds	-	32,212
Total All Funds	<u>\$ 32,212</u>	<u>\$ 32,212</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, 2006*

**NOTE 14 – INTERFUND ACTIVITY (Continued)**

Transfers made during the year ended June 30, 2006, were as follows:

<u>Fund</u>	<u>Transfers From</u>	<u>Transfers To</u>
Major Funds:		
General Fund	\$ 859,136	\$ -
Building Capital Projects Fund	<u>-</u>	<u>859,136</u>
Total All Funds	<u>\$ 859,136</u>	<u>\$ 859,136</u>

The transfer was made from the General Fund (a major fund) to the Building Capital Projects Fund to provide support for activities of that fund.

**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 07/01/2005	\$0	\$0	\$96,355
Current Year Set-Aside Requirement	652,865	652,865	0
Offset Credits and Prior Year Carryover	(1,472,834)	(6,054,756)	0
Qualifying Expenditures	<u>(1,988,158)</u>	<u>(41,240,900)</u>	<u>0</u>
Balance Carried Forward to FY 2007	<u>(\$2,808,128)</u>	<u>(\$46,642,791)</u>	<u>\$96,355</u>
Set Aside Reserve Cash Balance as of June 30, 2006	\$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.

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 16 – CAPITALIZED LEASES – LESSEE DISCLOSURE**

During fiscal year 2006, the School District entered into a capitalized lease for the purchase of school buses. In previous years, 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 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 Capital Projects Building 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.

School Bus Lease – During 2006 Springboro City Community School District entered into a lease agreement in the amount of \$1,234,670 to purchase school buses. 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, 2006.

<u>Fiscal Year Ending June 30,</u>	<u>Minimum Lease Payment</u>
2007	\$481,266
2008	462,172
2009	462,504
2010	409,072
2011	300,892
2012-2016	1,457,474
2017-2021	983,041
2022-2026	716,992
2027-2031	712,085
2032-2034	272,329
Total	6,257,827
Less: Amount Representing Interest	(2,150,974)
Present Value of Net Minimum Lease Payments	<u>\$4,106,853</u>

**Springboro Community City School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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**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.

*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 - 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, 2006.

***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, 2006*

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**NOTE 19 – CONTRACT COMMITMENTS**

As of June 30, 2006, 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 6/30/06</u>
A. H. Sturgill	\$ 1,689,667	\$ 1,628,351	\$ 61,316
Baker Concrete	1,569,504	1,560,761	8,743
Beacon Electric	4,025,604	3,701,679	323,925
Benchmark Masonry	1,580,726	1,553,932	26,794
Blankenship Masonry	5,113,534	5,111,890	1,644
Cleveland Construction	2,204,670	1,927,929	276,741
Empire	673,850	663,368	10,482
ESI	2,186,835	1,951,079	235,756
Feldkamp Enterprises	4,211,051	4,148,578	62,473
Gil Ruehl Plumbing	1,285,909	1,216,364	69,545
Jergens Bales Contracting	502,453	492,453	10,000
John R. Jurgensen Company	1,216,969	613,838	603,131
Loveland Excavating	599,744	598,703	1,041
Mitre Masonry	890,900	835,369	55,531
RPC Mechanical	1,130,485	1,105,134	25,351
Sevferth Building Company	651,924	640,083	11,841
Slagle Mechanical	744,498	718,646	25,852
Stone City	947,824	939,492	8,332
Total	<u>\$ 31,226,147</u>	<u>\$ 29,407,649</u>	<u>\$ 1,818,498</u>

**NOTE 20 – ACCOUNTABILITY**

At June 30, 2006, the Food Service, the Education Management Information System, the Title II, and the Preschool Grant special revenue funds had deficit fund balances of \$121,861, \$22,847, \$2,753, and \$1,250. 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 21 – SHORT-TERM OBLIGATIONS**

On April 7, 2006, the School District issued a Tax Anticipation Note in the amount of \$1,500,000 at an interest rate of 3.73%. The Note was repaid by the District from tax revenue on April 20, 2006.

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
National School Lunch Program	LLP4	10.555	<u>98,729</u>	<u>98,729</u>
Total U.S. Department of Agriculture			<u>98,729</u>	<u>98,729</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education - Grants to States	6BSF	84.027	803,928	710,266
Special Education - Preschool Grants	PGS1	84.173	<u>33,236</u>	<u>35,231</u>
Total Special Education Cluster			<u>837,164</u>	<u>745,497</u>
Safe and Drug-Free Schools and Communities	DRS1	84.186	9,603	13,105
Innovative Education Program Strategies	C2S1	84.298	11,449	13,937
Improving Teacher Quality State Grants	TRS1	84.367	<u>46,640</u>	<u>51,887</u>
Total U.S. Department of Education			<u>904,856</u>	<u>824,426</u>
Total Federal Awards			\$ <u>1,003,585</u>	<u>923,155</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Springboro Community City School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springboro Community City School District (the School District) as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

## Compliance And Other Matters

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

We noted certain matters that we reported to management of the School District in a separate letter dated March 9, 2007.

This report is intended solely for the information and use of management, the Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
March 9, 2007



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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Springboro Community City School District:

Compliance

We have audited the compliance of Springboro Community City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## Internal Control Over Compliance

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

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

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
March 9, 2007

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Reportable condition(s) identified that are not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	none
Identification of major programs: <i>Special Education Cluster:</i> <i>CFDA 84.027 – Special Education - Grants to States</i> <i>CFDA 84.173 – Special Education - Preschool Grants</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT**

Schedule of Prior Audit Findings

Year Ended June 30, 2006

The prior audit disclosed no instances of noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over compliance for major federal programs were reported in the prior year.



**Mary Taylor, CPA**  
Auditor of State

**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 19, 2007**