

**Springfield City School District
Clark County, Ohio**

Basic Financial Statements

June 30, 2008

with Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Springfield City School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 13, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield City School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position and cash flows, and the respective 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 December 23, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13, 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.

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

Springfield, Ohio
December 23, 2008

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Springfield City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

Total net assets increased \$8,725,360 from fiscal year 2007.

General revenues accounted for \$72,625,160 of total revenues. Program specific revenues in the form of charges for services and operating grants, contributions, and interest accounted for \$33,601,638 of total revenues of \$106,226,798.

Total assets of governmental activities decreased by \$8,370,413. Capital assets increased by \$23,372,889.

The School District had \$97,501,438 in expenses related to governmental activities; only \$33,601,638 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily grants and entitlements and property taxes) of \$72,625,160 were used to provide for these programs.

Using this Basic Financial Report

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

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

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2008?” The Statement of Net Assets and the Statement of Activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year’s revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 10. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds. The major funds for Springfield City School District are the General Fund, the Bond Retirement Debt Service Fund, and the Project Construction Capital Projects Fund.

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Funds

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

Proprietary Fund

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

Fiduciary Funds

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

The School District as a Whole

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

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 1 provides a summary of the School District's net assets for fiscal 2008 compared to fiscal year 2007:

(Table 1)
Net Assets
Governmental Activities

	<u>2008</u>	<u>Restated 2007</u>	<u>Change</u>
<u>Assets:</u>			
Current Assets	\$83,921,859	\$104,312,094	(\$20,390,235)
Capital Assets	187,122,441	163,749,552	23,372,889
<i>Total Assets</i>	<u>271,044,300</u>	<u>268,061,646</u>	<u>2,982,654</u>
<u>Liabilities:</u>			
Other Liabilities	47,149,500	50,414,616	(3,265,116)
Long-Term Liabilities	41,317,329	43,794,919	(2,477,590)
<i>Total Liabilities</i>	<u>88,466,829</u>	<u>94,209,535</u>	<u>(5,742,706)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	154,126,291	131,033,126	23,093,165
Restricted	25,439,929	46,664,528	(21,224,599)
Unrestricted (Deficit)	3,011,251	(3,845,543)	6,856,794
<i>Total Net Assets</i>	<u>\$182,577,471</u>	<u>\$173,852,111</u>	<u>\$8,725,360</u>

Current assets decreased \$20,390,235 as a result of a decrease in investments with its fiscal agent due to the School District spending the money on the Ohio School Facilities Project and property taxes receivable, since the School District did not receive an advance before fiscal year-end. The increase in Capital Assets of \$23,372,889 and Invested in Capital Assets, Net of Related Debt of \$23,093,165 is due to construction in progress on the new high school. Restricted Net Assets decreased by \$21,224,599 due to the Ohio School Facilities Commission project nearing completion with the only remaining project being the construction of the new high school. Unrestricted Net Assets increased by \$6,856,794. Small increases occurred in Property Taxes and Tuition and Fees while expenses increased primarily due to increases in Regular and Special Instruction and Operation and Maintenance of Plant. In total, revenues continue to exceed expenses mainly due to the School District continually monitoring expenses.

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

(Table 2)
Change in Net Assets
Governmental Activities

	2008	Restated 2007	Change
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$3,148,028	\$2,773,685	\$374,343
Operating Grants, Contributions, and Interest	30,453,610	22,909,118	7,544,492
<i>Total Program Revenues</i>	<u>33,601,638</u>	<u>25,682,803</u>	<u>7,918,835</u>
General Revenues:			
Property Taxes	26,730,802	25,828,283	902,519
Grants and Entitlements not Restricted to Specific Programs	43,674,024	32,991,161	10,682,863
Investment Earnings	1,774,771	2,318,224	(543,453)
Miscellaneous	445,563	767,261	(321,698)
<i>Total General Revenues</i>	<u>72,625,160</u>	<u>61,904,929</u>	<u>10,720,231</u>
<i>Total Revenues</i>	<u>\$106,226,798</u>	<u>\$87,587,732</u>	<u>\$18,639,066</u>

(continued)

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

	2008	Restated 2007	Change
<u>Program Expenses:</u>			
Instruction:			
Regular	\$39,199,235	\$37,310,790	\$1,888,445
Special	10,004,147	9,223,281	780,866
Vocational	412,139	524,686	(112,547)
Adult/Continuing	263,628	321,361	(57,733)
Student Intervention Services	1,734,542	2,054,909	(320,367)
Support Services:			
Pupils	5,869,183	7,139,932	(1,270,749)
Instructional Staff	7,019,596	6,317,903	701,693
Board of Education	205,787	320,789	(115,002)
Administration	5,906,938	5,804,654	102,284
Fiscal	1,630,265	1,667,309	(37,044)
Business	356,499	560,950	(204,451)
Operation and Maintenance of Plant	8,981,875	7,102,571	1,879,304
Pupil Transportation	1,953,952	1,882,612	71,340
Central	790,228	723,014	67,214
Operation of Non-Instructional Services	6,326,691	6,571,885	(245,194)
Extracurricular Activities	953,138	1,016,271	(63,133)
Interest and Fiscal Charges	2,643,336	2,823,909	(180,573)
Unallocated Depreciation	3,250,259	3,589,448	(339,189)
Intergovernmental	0	34,043	(34,043)
<i>Total Expenses</i>	<u>97,501,438</u>	<u>94,990,317</u>	<u>2,511,121</u>
<i>Change in Net Assets</i>	<u>8,725,360</u>	<u>(7,402,585)</u>	<u>16,127,945</u>
<i>Net Assets at Beginning of Year, Restated</i>	<u>173,852,111</u>	<u>181,254,696</u>	<u>(7,402,585)</u>
<i>Net Assets at End of Year</i>	<u><u>\$182,577,471</u></u>	<u><u>\$173,852,111</u></u>	<u><u>\$8,725,360</u></u>

Operating Grants, Contributions and Interest increased \$7,544,492 due to an increase in Safe School/Healthy Student grant revenues. Investment Earnings decreased \$543,453 due to the School District moving the majority of their investment out of the more lucrative government securities and into STAROhio. Grants and Entitlements not Restricted to Specific Programs decreased \$10,682,863 due to a reduction in State funding due to decreasing enrollment and adjustments to the Ohio School Facilities revenue. Total expenses increased by \$2,511,121 or 2.64 percent due to an increase in salaries, benefits and utilities.

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Regular Instruction increased \$1,888,445 from the prior fiscal year, due to salary and benefit increases. Support Services Pupils decreased \$1,270,749 due to a decrease in special needs of students. Operation and Maintenance of Plant increased \$1,879,304 due to increased costs relating to utilities and maintenance of the buildings.

Grants and Entitlements not Restricted to Specific Programs made up 41.11 percent of the total revenues for governmental activities of the Springfield City School District for fiscal year 2008. Property Tax revenues made up 25.16 percent of the total revenues for governmental activities for a total of 66.27 percent of all revenues coming from Property Taxes and Grants and Entitlements not Restricted to Specific Programs.

Regular Instruction makes up 40.20 percent of governmental program expenses. Support Services expenses make up 33.55 percent of governmental program expenses. The increase in Support Services Operation and Maintenance of Plant is related to utility costs and other non-capitalized costs associated with the construction of the new high school.

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

(Table 3)
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$51,613,691	\$35,394,032	\$49,435,027	\$34,712,129
Support Services	32,714,323	24,488,195	31,519,734	25,627,832
Operation of Non-Instructional Services	6,326,691	(2,013,067)	6,571,885	1,977,899
Extracurricular Activities	953,138	137,045	1,016,271	542,254
Interest and Fiscal Charges	2,643,336	2,643,336	2,823,909	2,823,909
Unallocated Depreciation	3,250,259	3,250,259	3,589,448	3,589,448
Intergovernmental	0	0	34,043	34,043
<i>Total Expenses</i>	<u>\$97,501,438</u>	<u>\$63,899,800</u>	<u>\$94,990,317</u>	<u>\$69,307,514</u>

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District's Funds

Information about the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$122,472,834 and expenditures of \$125,541,673. The net change in fund balances was most significant in the General Fund with an increase of \$5,701,179. The increase in the General Fund is due to the School District being able to keep expenditures below revenues.

The fund balance for the Bond Retirement Debt Service Fund decreased by \$67,870 or less than a one percent change. The Bond Retirement Debt Service fund had an ending fund balance of \$7,004,400.

The fund balance of the Project Construction Capital Projects Fund decreased by \$7,988,142 due to the continuing construction on the new high school.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts, as well as the actual amounts, is listed on page 20. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, original budget basis revenues were \$72,144,584 with final budget basis revenues of \$72,626,658. The difference of \$482,074 was less than a one percent change and is insignificant.

Original budget basis appropriations were \$68,486,827 with final budget basis appropriations of \$69,581,275. The difference of \$1,094,448 was due primarily to the original appropriations being based upon a percentage of the prior fiscal year appropriations, while final appropriations reflected appropriation changes made during the fiscal year for increased costs relating to instructional materials and supplies.

The School District's ending unobligated cash balance was \$2,471,100 above the final budgeted amount.

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$187,122,441 invested in land, construction in progress, buildings, furniture and equipment, and vehicles in governmental activities.

Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

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

	2008	2007
Land	\$14,769,496	\$15,954,476
Construction in Progress	52,898,083	24,753,087
Buildings	117,726,408	121,122,946
Furniture and Equipment	1,646,548	1,781,398
Vehicles	81,906	137,645
<i>Totals</i>	\$187,122,441	\$163,749,552

The primary increase was due to the construction of the new high school. (See Note 9 of the Notes to the Basic Financial Statements).

Debt

At June 30, 2008, the School District had total bonded debt outstanding in the amount of \$36,945,713, which includes \$4,677,364 of accretion. \$3,270,000 of the total bonded debt outstanding is due within one year. The School District also had capital lease obligations outstanding of \$1,011,799, of which \$209,571 is due within one year. Table 5 summarizes the bonds, notes and capital leases outstanding.

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

	2008	2007
General Obligation Bonds		
1997 School Improvement Refunding Bonds	\$6,768,690	\$7,833,589
2001 Classroom Facilities Assistance Bonds	9,827,671	11,027,213
2006 Various Purpose Refunding Bonds	19,851,763	19,945,089
Bond Premium	1,681,093	1,789,781
Loss on Refunding	(1,183,504)	(1,259,859)
Capital Leases	1,011,799	861,582
Short-Term Tax Anticipation Notes	8,700,000	9,962,000
<i>Totals</i>	\$46,657,512	\$50,159,395

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

As of June 30, 2008, the overall legal debt margin was \$41,281,115 with an unvoted debt margin of \$733,861.

Current Financial Issues and Concerns

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

During the past four fiscal years the School District has experienced an increasing number of students leaving the School District to attend publicly funded community schools. According to the Ohio Department of Education's SF-3 for June 30, 2008, 681 students opted to leave the Springfield City School District to attend community schools. However, the good news is that one of the Community Schools closed in fiscal year 2008 which was reflected on the June #2, 2008 SF-3 report and reduced the 681 charter students to 556. The loss of these students resulted in a decline of \$5,082,673 in State foundation payments (cash basis) during the fiscal year. Additionally, the School District lost \$2,578,237 (cash basis) to other public school districts in Ohio when over 575 students chose to attend schools other than their respective school of residence pursuant to Ohio's open enrollment statutes. This is the second year of the Educational Choice (Voucher) Program which funds 273 students for \$1,300,000 lost dollars for the School District.

Springfield City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

The School District is engaged in an extensive building project. The School District has built ten new elementary buildings; four new middle schools; a new alternative school and is in the process of building a new high school. The voters of the Springfield City School District approved a \$38.1 million bond issue in November, 2000, which allowed the School District to contribute 18 percent of the total cost of the \$165 million building project. The State of Ohio is contributing the remaining 82 percent. The new high school, Springfield High School, opened September 8, 2008, with much excitement and expectation of a great year for Springfield students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at Springfield City School District, 700 South Limestone Street, Springfield, Ohio 45505, or call (937) 505-2811.

Springfield City School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$35,948,297
Materials and Supplies Inventory	32,591
Accrued Interest Receivable	32,435
Accounts Receivable	20,516
Cash and Cash Equivalents with Fiscal Agents	2,295,925
Cash and Cash Equivalents with Escrow Agents	755,452
Investments with Fiscal Agents	5,796,685
Property Taxes Receivable	33,489,397
Intergovernmental Receivable	5,266,563
Deferred Charges	283,998
Capital Assets:	
Land and Construction in Progress	67,667,579
Depreciable Capital Assets, Net	<u>119,454,862</u>
<i>Total Assets</i>	<u>271,044,300</u>
<u>Liabilities:</u>	
Accounts Payable	656,557
Contracts Payable	2,111,862
Accrued Wages and Benefits Payable	6,259,861
Intergovernmental Payable	3,218,775
Accrued Interest Payable	227,625
Matured Compensated Absences Payable	455,976
Retainage Payable	760,161
Unearned Revenue	23,644,062
Claims Payable	1,114,621
Notes Payable	8,700,000
Long-Term Liabilities:	
Due Within One Year	4,059,402
Due in More Than One Year	<u>37,257,927</u>
<i>Total Liabilities</i>	<u>88,466,829</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	154,126,291
Restricted for:	
Debt Service	7,347,475
Capital Outlay	8,526,251
Food Service Operation	1,261,058
Classroom Facilities Maintenance	1,730,436
Poverty Aid	920,290
Miscellaneous Federal Grants	2,603,946
Other Purposes	2,324,466
Set-Asides	726,007
Unrestricted	<u>3,011,251</u>
<i>Total Net Assets</i>	<u><u>\$182,577,471</u></u>

See accompanying notes to the basic financial statements

Springfield City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$39,199,235	\$6,260	\$5,526,071	(\$33,666,904)
Special	10,004,147	743,729	7,711,104	(1,549,314)
Vocational	412,139	0	158,615	(253,524)
Adult/Continuing	263,628	7	256,816	(6,805)
Student Intervention Services	1,734,542	0	1,817,057	82,515
Support Services:				
Pupils	5,869,183	0	1,744,782	(4,124,401)
Instructional Staff	7,019,596	360,720	4,436,438	(2,222,438)
Board of Education	205,787	0	0	(205,787)
Administration	5,906,938	0	677,479	(5,229,459)
Fiscal	1,630,265	0	169,360	(1,460,905)
Business	356,499	0	0	(356,499)
Operation and Maintenance of Plant	8,981,875	16,898	20,527	(8,944,450)
Pupil Transportation	1,953,952	0	712,433	(1,241,519)
Central	790,228	0	87,491	(702,737)
Operation of Non-Instructional Services	6,326,691	1,247,487	7,092,271	2,013,067
Extracurricular Activities	953,138	772,927	43,166	(137,045)
Interest and Fiscal Charges	2,643,336	0	0	(2,643,336)
Unallocated Depreciation *	3,250,259	0	0	(3,250,259)
Total Governmental Activities	\$97,501,438	\$3,148,028	\$30,453,610	(63,899,800)
 <u>General Revenues:</u>				
Property Taxes Levied for:				
General Purposes				21,606,509
Debt Service				3,910,137
Capital Outlay				959,601
Facilities Maintenance				254,555
Grants and Entitlements not Restricted to Specific Programs				43,674,024
Investment Earnings				1,774,771
Miscellaneous				445,563
Total General Revenues				72,625,160
Change in Net Assets				8,725,360
Net Assets at Beginning of Year - Restated (See Note 3)				173,852,111
Net Assets at End of Year				\$182,577,471

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

See accompanying notes to the basic financial statements

Springfield City School District

Balance Sheet

Governmental Funds

June 30, 2008

	General	Bond Retirement	Project Construction	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$12,881,603	\$6,637,702	\$3,235,930	\$8,365,545	\$31,120,780
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	813,448	0	0	0	813,448
Cash and Cash Equivalents with Fiscal Agents	0	0	0	2,295,925	2,295,925
Cash and Cash Equivalents with Escrow Agents	0	0	755,452	0	755,452
Investments with Fiscal Agents	0	0	5,796,685	0	5,796,685
Receivables:					
Property Taxes	26,720,702	5,127,962	0	1,640,733	33,489,397
Accounts	20,101	0	0	415	20,516
Intergovernmental	12,404	0	328,867	4,925,292	5,266,563
Accrued Interest	297	0	25,156	6,982	32,435
Interfund	95,868	0	0	0	95,868
Materials and Supplies Inventory	0	0	0	32,591	32,591
<i>Total Assets</i>	<u>\$40,544,423</u>	<u>\$11,765,664</u>	<u>\$10,142,090</u>	<u>\$17,267,483</u>	<u>\$79,719,660</u>
<u>Liabilities:</u>					
Accounts Payable	\$251,608	\$0	\$58,716	\$346,233	\$656,557
Contracts Payable	0	0	2,106,705	5,157	2,111,862
Accrued Wages and Benefits Payable	4,731,510	0	0	1,528,351	6,259,861
Intergovernmental Payable	2,510,699	0	0	708,076	3,218,775
Accrued Interest Payable	29,696	0	11,108	0	40,804
Interfund Payable	0	0	0	95,868	95,868
Retainage Payable	0	0	4,709	0	4,709
Retainage Payable from Restricted Assets	0	0	755,452	0	755,452
Matured Compensated Absences Payable	424,513	0	0	31,463	455,976
Notes Payable	5,600,000	0	3,100,000	0	8,700,000
Deferred Revenue	23,185,988	4,761,264	330,273	5,425,516	33,703,041
<i>Total Liabilities</i>	<u>36,734,014</u>	<u>4,761,264</u>	<u>6,366,963</u>	<u>8,140,664</u>	<u>56,002,905</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	841,314	0	6,083,790	1,738,223	8,663,327
Reserved for Property Taxes	3,534,714	366,698	0	130,804	4,032,216
Reserved for Textbooks and Instructional Materials	726,007	0	0	0	726,007
Reserved for Bus Purchases	87,441	0	0	0	87,441
Unreserved, Undesignated, (Deficit) Reported in:					
General Fund	(1,379,067)	0	0	0	(1,379,067)
Special Revenue Funds	0	0	0	3,675,599	3,675,599
Debt Service Fund	0	6,637,702	0	0	6,637,702
Capital Projects Funds	0	0	(2,308,663)	3,582,193	1,273,530
<i>Total Fund Balances</i>	<u>3,810,409</u>	<u>7,004,400</u>	<u>3,775,127</u>	<u>9,126,819</u>	<u>23,716,755</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$40,544,423</u>	<u>\$11,765,664</u>	<u>\$10,142,090</u>	<u>\$17,267,483</u>	<u>\$79,719,660</u>

See accompanying notes to the basic financial statements

Springfield City School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008

Total Governmental Fund Balances \$23,716,755

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

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

Land	14,769,496	
Construction in Progress	52,898,083	
Other Capital Assets	146,786,208	
Accumulated Depreciation	<u>(27,331,346)</u>	
Total Capital Assets		187,122,441

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Property Taxes	5,813,119	
Intergovernmental	4,199,009	
Investment Earnings	<u>46,851</u>	
		10,058,979

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

2,899,448

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

283,998

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

Bonds Payable	(36,448,124)	
Loss from Refunding	1,183,504	
Bond Premium	(1,681,093)	
Accrued Interest on Bonds	(186,821)	
Capital Leases	(1,011,799)	
Compensated Absences	<u>(3,359,817)</u>	
Total Liabilities		<u>(41,504,150)</u>

Net Assets of Governmental Activities

\$182,577,471

See accompanying notes to the basic financial statements

Springfield City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Project Construction	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$20,884,376	\$3,968,051	\$777,039	\$408,509	\$26,037,975
Intergovernmental	47,312,088	498,373	19,896,741	23,365,572	91,072,774
Investment Earnings	1,026,775	0	636,050	135,808	1,798,633
Decrease in Fair Value of Investments	(22,033)	0	(60,510)	(2,055)	(84,598)
Tuition and Fees	1,486,476	0	0	367,478	1,853,954
Extracurricular Activities	34,316	0	0	324,609	358,925
Rentals	16,898	0	0	0	16,898
Charges for Services	0	0	0	918,251	918,251
Contributions and Donations	0	0	0	54,459	54,459
Miscellaneous	427,959	0	12,000	5,604	445,563
Total Revenues	71,166,855	4,466,424	21,261,320	25,578,235	122,472,834
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	33,597,204	0	0	5,777,822	39,375,026
Special	6,547,246	0	0	3,536,250	10,083,496
Vocational	410,087	0	0	4,542	414,629
Adult/Continuing	0	0	0	261,753	261,753
Student Intervention Services	0	0	0	1,737,343	1,737,343
Support Services:					
Pupils	4,120,901	0	0	1,777,908	5,898,809
Instructional Staff	3,099,484	0	0	4,037,411	7,136,895
Board of Education	205,787	0	0	0	205,787
Administration	5,483,243	0	0	534,962	6,018,205
Fiscal	1,377,579	78,812	165	188,640	1,645,196
Business	354,993	0	0	0	354,993
Operation and Maintenance of Plant	6,986,845	0	0	612,490	7,599,335
Pupil Transportation	1,872,394	0	0	36,502	1,908,896
Central	512,137	0	0	254,723	766,860
Operation of Non-Instructional Services	911	0	0	6,010,045	6,010,956
Extracurricular Activities	448,346	0	0	501,015	949,361
Capital Outlay	347,340	0	29,110,264	504,771	29,962,375
Debt Service:					
Principal Retirement	44,989	3,165,000	0	139,794	3,349,783
Interest and Fiscal Charges	391,190	1,290,482	139,033	41,270	1,861,975
Total Expenditures	65,800,676	4,534,294	29,249,462	25,957,241	125,541,673
Excess of Revenues Over (Under) Expenditures	5,366,179	(67,870)	(7,988,142)	(379,006)	(3,068,839)
<u>Other Financing Sources:</u>					
Proceeds from Sale of Capital Assets	0	0	0	951,302	951,302
Proceeds From Capital Lease	335,000	0	0	0	335,000
Total Other Financing Sources	335,000	0	0	951,302	1,286,302
Net Change in Fund Balances	5,701,179	(67,870)	(7,988,142)	572,296	(1,782,537)
Fund Balances (Deficit) at Beginning of Year	(1,890,770)	7,072,270	11,763,269	8,554,523	25,499,292
Fund Balances at End of Year	\$3,810,409	\$7,004,400	\$3,775,127	\$9,126,819	\$23,716,755

See accompanying notes to the basic financial statements

Springfield City School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds (\$1,782,537)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Assets Additions	340,648	
Construction in Progress Additions	28,144,996	
Depreciation Expense	<u>(3,760,555)</u>	
Excess of Capital Outlay Over Depreciation Expense		24,725,089

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Proceeds from Sale of Capital Assets	(951,302)	
Loss on Disposal of Capital Assets	<u>(400,898)</u>	
		(1,352,200)

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

Delinquent Property Taxes	692,827	
Intergovernmental	(17,062,560)	
Investment Earnings	<u>(10,517)</u>	
		(16,380,250)

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. The difference in the amount of interest on the Statement of Activities is the result of the following:

Amortization of Bond Issuance Costs	(18,389)	
Amortization of Bond Premium	108,688	
Amortization of Loss	(76,355)	
Accretion on Bonds	(807,233)	
Decrease in Accrued Interest	<u>11,928</u>	
		(781,361)

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

330,794

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(335,000)

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

Bond Principal Retirement	3,165,000	
Capital Lease Payments	<u>184,783</u>	
Total Long-term Debt Repayment		3,349,783

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

These activities consist of:

Decrease in Compensated Absences Payable	237,707	
Decrease in Special Termination Benefits	<u>713,335</u>	
Total Decrease		<u>951,042</u>

Change in Net Assets of Governmental Activities

\$8,725,360

See accompanying notes to the basic financial statements

Springfield City School District
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$26,073,928	\$22,213,282	\$22,141,134	(\$72,148)
Intergovernmental	44,123,930	48,277,976	47,310,360	(967,616)
Investment Earnings	913,956	1,000,000	1,049,295	49,295
Tuition and Fees	1,005,351	1,100,000	1,494,252	394,252
Extracurricular Activities	27,419	30,000	34,316	4,316
Rentals	0	0	17,226	17,226
Miscellaneous	0	5,400	416,704	411,304
<i>Total Revenues</i>	<u>72,144,584</u>	<u>72,626,658</u>	<u>72,463,287</u>	<u>(163,371)</u>
<u>Expenditures:</u>				
Current:				
Salaries and Wages	34,194,638	34,496,098	34,191,392	304,706
Fringe Benefits	13,991,206	14,498,011	13,622,419	875,592
Purchased Services	15,878,874	15,405,000	14,623,249	781,751
Materials and Supplies	1,916,390	2,800,000	2,468,317	331,683
Capital Outlay	327,520	537,514	442,512	95,002
Miscellaneous	932,481	598,934	562,110	36,824
Debt Service:				
Principal Retirement	862,000	862,000	862,000	0
Interest and Fiscal Charges	383,718	383,718	383,718	0
<i>Total Expenditures</i>	<u>68,486,827</u>	<u>69,581,275</u>	<u>67,155,717</u>	<u>2,425,558</u>
Excess of Revenues Over Expenditures	<u>3,657,757</u>	<u>3,045,383</u>	<u>5,307,570</u>	<u>2,262,187</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	14,867	14,867
Transfers Out	(10,000)	(167,339)	0	167,339
Advances In	0	0	20,800	20,800
Advances Out	0	(101,775)	(95,868)	5,907
<i>Total Other Financing Sources (Uses)</i>	<u>(10,000)</u>	<u>(269,114)</u>	<u>(60,201)</u>	<u>208,913</u>
<i>Net Change in Fund Balance</i>	3,647,757	2,776,269	5,247,369	2,471,100
<i>Fund Balance at Beginning of Year</i>	5,759,403	5,759,403	5,759,403	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,621,787</u>	<u>1,621,787</u>	<u>1,621,787</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$11,028,947</u>	<u>\$10,157,459</u>	<u>\$12,628,559</u>	<u>\$2,471,100</u>

See accompanying notes to the basic financial statements

Springfield City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2008

	<u>Self-Insurance</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,014,069
<u>Liabilities:</u>	
Claims Payable	<u>1,114,621</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$2,899,448</u></u>

See accompanying notes to the basic financial statements

Springfield City School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Self-Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$8,738,868
<u>Operating Expenses:</u>	
Purchased Services	639,591
Claims	7,902,697
<i>Total Operating Expenses</i>	8,542,288
<i>Operating Income</i>	196,580
<u>Non-Operating Revenues:</u>	
Investment Earnings	134,214
<i>Change in Net Assets</i>	330,794
<i>Net Assets at Beginning of Year</i>	2,568,654
<i>Net Assets at End of Year</i>	\$2,899,448

See accompanying notes to the basic financial statements

Springfield City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	<u>Self-Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	
<u>Cash Flows From Operating Activities:</u>	
Receipts from Interfund Services Provided	\$8,738,868
Cash Payments to Suppliers for Goods and Services	(639,591)
Cash Payments for Claims	<u>(7,553,381)</u>
<i>Net Cash Provided by Operating Activities</i>	545,896
<u>Cash Flows From Investing Activities:</u>	
Investment Earnings	<u>134,214</u>
<i>Increase in Cash and Cash Equivalents</i>	680,110
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>3,333,959</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$4,014,069</u></u>
<i>Reconciliation of Operating Income to Net Cash</i>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$196,580
<i>Adjustments to Reconcile Operating Income to</i>	
<u>Net Cash Provided by Operating Activities:</u>	
Increase in Claims Payable	<u>349,316</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$545,896</u></u>

See accompanying notes to the basic financial statements

Springfield City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$65,923	\$819,299
<u>Liabilities:</u>		
Due To Students	0	\$819,299
<u>Net Assets:</u>		
Restricted - Nonexpendable	10,000	
Held in Trust for Scholarships	55,923	
<i>Total Net Assets</i>	\$65,923	

See accompanying notes to the basic financial statements

Springfield City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
<u>Additions:</u>	
Investment Earnings	\$2,713
Gifts And Donations	842
Miscellaneous	7,382
<i>Total Additions</i>	10,937
<u>Deductions:</u>	
Payment in Accordance With Trust Agreements	10,756
<i>Change in Net Assets</i>	181
<i>Net Assets at Beginning of Year</i>	65,742
<i>Net Assets at End of Year</i>	\$65,923

See accompanying notes to the basic financial statements

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Board controls the School District's 18 instructional/support facilities staffed by 318 non-certificated employees, 559 certificated full-time teaching personnel and 58 administrative employees who provide services to 7,760 students and other community members.

Reporting Entity:

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

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

The following activities are included within the reporting entity:

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

On February 28, 2005 the School District was placed in “Fiscal Emergency” status by the Auditor of State of Ohio because the School District attempted, but failed to develop a financial recovery plan to address the School District’s deteriorating financial condition. Fiscal emergency is the most severe declaration regarding a school district’s financial solvency. This situation prompts the creation of a commission to develop a financial recovery plan to alleviate the School District’s financial crisis. The commission must adopt and submit the financial recovery plan to the Ohio Department of Education within 120 days. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activities of the School District must be in accordance with the plan. The recovery plan was adopted and submitted on June 3, 2005. On September 22, 2006, the commission revised the recovery plan and resubmitted it to the Ohio Department of Education.

The duties of the commission include:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds:

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

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

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

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

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

Proprietary Fund

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

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue/Deferred Revenue

Unearned revenue and 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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool except monies to be used for construction of the new high school. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District utilizes financial institutions to service bonded debt as principal and interest payments come due and to hold retainage amounts still owed to contractors. These amounts are presented as "Restricted Assets: Cash and Cash Equivalents with Fiscal Agents" and "Restricted Assets: Cash and Cash Equivalents with Escrow Agents" on the balance sheet. The School District utilizes a financial institution to hold monies to be used for construction of the new high school. The monies are presented as "Restricted Assets: Investments with Fiscal Agents" on the financial statements.

During fiscal year 2008, the School District's investments were limited to STAROhio, Federal Home Loan Bank Bonds, Federal National Mortgage Association Global Notes, U. S. Treasury Bills and Mutual Funds. Investments are reported at fair value which is based on quoted market prices or current share prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings credited to the General Fund during fiscal year 2008 amounted to \$1,026,775, of which \$852,840 was earned by other funds.

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set aside by the School District for the purchase of textbooks and instructional materials and unexpended revenues restricted for the purchase of buses. Cash is also restricted for amounts held in escrow accounts for payment of retainage on construction contracts and with a fiscal agent for tax anticipation notes retirement.

G. Inventory

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

H. Capital Assets

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

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

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

On the governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the funds from which the employees are paid.

K. Accrued Liabilities and Long-term Obligations

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Long-term bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

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

On the government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

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

M. Loss on Advance Refunding

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials and bus purchases.

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for student activities and federal and State grants restricted to expenditures for specified purposes. The School District did not have any assets restricted by enabling legislation at June 30, 2008.

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

P. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated of the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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.

Q. Operating Revenues and Expenses

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Budgetary Process

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

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

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

S. Estimates

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 3 - RESTATEMENT OF NET ASSETS

For fiscal year 2008, the restatement of Intergovernmental Receivable relating to the building project was necessary, due to errors in calculating the receivable in prior years, resulting in the following restatement of net assets at June 30, 2007.

	Governmental Activities
Net Assets, June 30, 2007	\$185,205,178
Restatement of Intergovernmental Receivable	(11,353,067)
Net Assets, June 30, 2007 as Restated	\$173,852,111

NOTE 4 - ACCOUNTABILITY

At June 30, 2008, the following funds had deficit fund balances:

Funds	Amounts
Mental Health - Early Start	\$1,893
Basic Education Foundation	12,132
Ohio Reads	4,584
Adult Basic Education	17,083
Drug Free Schools	5,329
Preschool Grant	747
Miscellaneous Federal Grants	134,297

The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$5,701,179
Adjustments:	
Revenue Accruals	976,299
Expenditure Accruals	(288,549)
Advances	(75,068)
Encumbrances	(1,066,492)
Budget Basis	\$5,247,369

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$5,920,032 of the School District's bank balance of \$11,591,174 was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution.

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

B. Investments

As of June 30, 2008, the School District had the following investments. All investments are in an internal investment pool except monies held by an escrow agent for retainage payable and the Ohio School Facilities Project Construction Fund.

	Fair Value	Investment Maturity Less than 1 Year
STAROhio	\$29,443,938	\$29,443,938
Federal Home Loan Bank Bonds	\$1,000,400	\$1,000,400
Federal National Mortgage Association Global Notes	1,000,660	1,000,660
U. S. Treasury Bills	2,300,166	2,300,166
Mutual Funds	3,312,430	3,312,430
Totals	\$37,057,594	\$37,057,594

Interest Rate Risk

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

Credit Risk

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The School District's investment policy provides that the School District will diversify its investments in securities by maturity, issue, and class. The School District's investment in U. S. Treasury Bills represents 6.21 percent of the School District's total investments.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in calendar year 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7 - PROPERTY TAXES (continued)

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The amount available as an advance at June 30, 2008, was \$4,032,216 and is recognized as revenue: \$3,534,714 in the General Fund, \$366,698 in the Bond Retirement Debt Service Fund, \$98,935 in the Permanent Improvement Capital Projects Fund and \$31,869 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$5,611,280 and consisted of: \$4,791,472 in the General Fund, \$644,175 in the Bond Retirement Debt Service Fund, \$132,987 in the Permanent Improvement Capital Projects Fund and \$42,646 in the Classroom Facilities Maintenance Special Revenue Fund.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$654,700,860	88.69%	\$713,794,280	92.24%
Public Utility Personal	31,667,720	4.29%	24,683,340	3.19%
General Business Personal	51,851,485	7.02%	35,358,462	4.57%
Total Assessed Value	<u>\$738,220,065</u>	<u>100.00%</u>	<u>\$773,836,082</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$65.41		\$63.25	

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, accounts, intergovernmental grants, accrued interest, and interfund. All receivables, except delinquent property taxes, are considered collectible in full and will be received within one year, with the exception of the Ohio School Facilities Commission grant. These grant monies will be collected over the life of the construction of the new facilities.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Special Education Tuition from Other Districts	\$12,404
Food Service - Federal Reimbursements	27,501
Classroom Facilities	328,867
Mental Health/Early Start	16,062
After School	37,527
Early Childhood Education	7,551
Ohio Reads	39,224
Miscellaneous State Grants	10,800
Adult Basic Education	37,705
Title VI-B	417,625
Title III	18,805
Title I	1,216,862
Title VI	21,560
Drug Free School Grant	40,388
Preschool Grant	20,392
Title VI-R	220,848
Miscellaneous Federal Grants	<u>2,792,442</u>
Total Intergovernmental Receivable	<u><u>\$5,266,563</u></u>

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Deductions	Balance at 6/30/08
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$15,954,476	\$0	(\$1,184,980)	\$14,769,496
Construction in Progress	24,753,087	28,144,996	0	52,898,083
Total Capital Assets Not Being Depreciated	40,707,563	28,144,996	(1,184,980)	67,667,579
Depreciable Capital Assets:				
Buildings	152,862,072	0	(14,567,586)	138,294,486
Furniture and Equipment	6,296,627	340,648	(310,980)	6,326,295
Vehicles	2,165,427	0	0	2,165,427
Total Depreciable Capital Assets	161,324,126	340,648	(14,878,566)	146,786,208
Less Accumulated Depreciation:				
Buildings	(31,739,126)	(3,250,259)	14,421,307	(20,568,078)
Furniture and Equipment	(4,515,229)	(454,557)	290,039	(4,679,747)
Vehicles	(2,027,782)	(55,739)	0	(2,083,521)
Total Accumulated Depreciation	(38,282,137)	(3,760,555) *	14,711,346	(27,331,346)
Depreciable Capital Assets, Net	123,041,989	(3,419,907)	(167,220)	119,454,862
Governmental Activities Capital Assets, Net	<u>\$163,749,552</u>	<u>\$24,725,089</u>	<u>(\$1,352,200)</u>	<u>\$187,122,441</u>

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$26,631
Special	11,640
Vocational	280
Support Services:	
Pupils	30,456
Instructional Staff	1,907
Administration	2,601
Fiscal	1,271
Business	10,107
Operation and Maintenance of Plant	15,482
Pupil Transportation	46,473
Central	33,692
Operation of Non-Instructional Services	325,913
Extracurricular Activities	3,843
Allocated Depreciation Expense	<u>510,296</u>
Unallocated Depreciation	3,250,259
Total Depreciation Expense	<u><u>\$3,760,555</u></u>

NOTE 10 - RISK MANAGEMENT

A. Workers' Compensation

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

B. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual School District enters into an agreement with OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 19). During fiscal year 2008, the School District contracted with the Ohio School Plan for property, inland marine, crime, automobile liability and general liability insurance coverage. The School District also purchased \$48,000,000 in builders risk insurance through Cincinnati Insurance.

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - RISK MANAGEMENT (continued)

Coverage provided by the Ohio School Plan is as follows:

Building and Contents (including Boiler and Machinery) - \$10,000 deductible	\$277,501,030
Flood Annual Aggregate (\$25,000 deductible)	1,000,000
Earthquake Annual Aggregate (5% subject to \$25,000 minimum deductible)	1,000,000
Inland Marine :	
Visual Equipment (\$1,000 deductible)	50,000
Miscellaneous Equipment (\$1,000 deductible)	267,216
Musical Instruments (\$1,000 deductible)	50,000
Electronic Equipment/Media Coverage (\$1,000 deductible)	10,015,000
Crime Coverage:	
Employee Theft - Per Loss Coverage (\$1,000 deductible)	25,000
Forgery or Alteration (\$1,000 deductible)	25,000
Inside the Premises - Theft of Money and Securities (\$1,000 deductible)	10,000
Outside the Premises - Theft of Money and Securities (\$1,000 deductible)	10,000
Computer Fraud (\$1,000 deductible)	25,000
Auto Liability:	
Liability - Any Auto	5,000,000
Medical Payments	5,000
Uninsured Motorists	50,000
Comprehensive - Bus (\$1,000 deductible)	Actual Cash Value
Comprehensive - All Other (\$250 deductible)	Actual Cash Value
Collision - Bus (\$1,000 deductible)	Actual Cash Value
Collision - All Other (\$500 deductible)	Actual Cash Value
Hired Car Physical Damage	50,000
Comprehensive (\$250 deductible)	Actual Cash Value
Collision (\$500 deductible)	Actual Cash Value
Garage keepers Coverage	
Comprehensive (\$250 deductible for each occurrence up to a maximum \$1,000 in any one event)	30,000
Collision (\$500 deductible)	30,000
General Liability:	
Educational General	
Bodily Injury and Property Damage	1,000,000
Personal and Advertising Injury	1,000,000
Loss of Electronic Data Limit	50,000

(continued)

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - RISK MANAGEMENT (continued)

Ohio School Plan Coverage
continued

Fire Damage Limit	\$500,000
Medical Expense	10,000
General Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Employee Benefits:	
Each Offense	1,000,000
Aggregate	3,000,000
Employers:	
Bodily Injury by Accident - Each Accident	1,000,000
Bodily Injury by Disease	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000
Educational Liability:	
Errors and Omissions Injury Limit (\$2,500 deductible)	1,000,000
Errors and Omissions Injury Aggregate Limit (\$2,500 deductible)	3,000,000
Employment Practices Injury Limit (\$2,500 deductible)	1,000,000
Employment Practices Injury Aggregate Limit (\$2,500 deductible)	3,000,000
Excess Liability:	
Educational General	2,000,000
Employee Benefits	2,000,000
Educational Liability	2,000,000
Violence Coverage:	
Plan Aggregate Limit	500,000
Aggregate Limit	250,000
Violent Act Limit	250,000
Death Benefit per Covered Member	25,000
Death Benefit Aggregate Limit	250,000
EMT Charges per Covered Member	1,000
EMT Charges Aggregate Limit	5,000
Medical Expenses per Covered Member	5,000
Medical Expenses Aggregate Limit	25,000
Travel Expenses per Covered Member	5,000
Travel Expenses Aggregate Limit	25,000
Group Trama Counseling Limited to 60 days after "Violent Act"	25,000
Extra Required Security Limited to 30 days after "Violent Act"	25,000
Substitute Teachers Limited to 30 days after "Violent Act"	25,000
Extra Transportation of Students Limited to 30 days after "Violent Act"	10,000

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - RISK MANAGEMENT (continued)

C. Employee Insurance

The School District is self-insured for health benefits with Anthem Blue Cross and Blue Shield as the plan administrator. It is the stated goal of the insurance committee to maintain a balance of one to two months' average claims history.

The liability for unpaid claims of \$1,114,621 reported in the fund at June 30, 2008, as estimated by an analysis of claims payments, is based on the requirements of GASB Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2007	\$809,386	\$7,141,177	\$7,185,258	\$765,305
2008	765,305	7,902,697	7,553,381	1,114,621

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$856,191, \$863,493 and \$846,991 respectively; 45.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$4,868,764, \$4,521,216, and \$4,705,613 respectively; 82.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$34,684 made by the School District and \$86,523 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$574,484, \$495,538, and \$486,635 respectively; 45.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$61,691, \$70,871, and \$58,718 respectively; 45.48 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$374,520, \$361,970, and \$347,786 respectively; 82.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 246 days for teachers, 3,120 hours for classified employees, and 320 days for administrative personnel. Upon retirement, payment is made for one-fourth of the total sick leave accumulation up to a maximum of 61.5 days for teachers. For administrators, payment is made for one-fourth of the total sick leave accumulation. For classified personnel, payment is made for one-fourth of the total sick leave accumulation up to a maximum of 512 hours.

B. Insurance

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

C. Deferred Compensation

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - LEASES - LESSEE DISCLOSURE

During 2008 and in prior fiscal years, the School District entered into capitalized leases for food service equipment, copiers and a booklet machine. All leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease were initially capitalized in the amount of \$1,635,000 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2008 totaled \$184,783 and were paid from the General Fund and the Food Service Special Revenue Fund.

The assets acquired through capital leases as of June 30, 2008, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Copiers and Booklet Machine	\$335,000	(\$35,893)	\$299,107
Food Service Equipment	1,300,000	(278,571)	1,021,429
Totals	\$1,635,000	(\$314,464)	\$1,320,536

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,	Total Payments
2009	\$257,094
2010	257,094
2011	257,094
2012	257,094
2013	109,540
Total	1,137,916
Less: Amount Representing Interest	(126,117)
Present Value of Net Minimum Lease Payments	\$1,011,799

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

<u>Governmental Activities:</u>	<u>Outstanding 6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/08</u>	<u>Due Within One Year</u>
1996 School Improvement					
Refunding Bonds					
Serial Bonds 3.65% to 5.15%	\$3,180,000	\$0	\$1,550,000	\$1,630,000	\$1,630,000
Capital Appreciation Bonds	1,648,669	0	0	1,648,669	0
Accretion on Capital					
Appreciation Bonds	3,004,920	485,101	0	3,490,021	0
2001 Classroom Facilities					
Assistance Bonds					
Serial Bonds 4.0% to 4.6%	9,280,000	0	1,390,000	7,890,000	1,450,000
Capital Appreciation Bonds	937,996	0	0	937,996	0
Accretion on Capital					
Appreciation Bonds	809,217	190,458	0	999,675	0
2001 Bond Premium	114,324	0	7,145	107,179	0
2006 Various Purpose					
Refunding Bonds					
Serial Bonds 3.0% to 5.0%	17,875,000	0	225,000	17,650,000	190,000
Capital Appreciation Bonds	2,014,095	0	0	2,014,095	0
Accretion on Capital					
Appreciation Bonds	55,994	131,674	0	187,668	0
2006 Bond Premium	1,675,457	0	101,543	1,573,914	0
2006 Loss on Refunding	(1,259,859)	0	(76,355)	(1,183,504)	0
Compensated Absences	3,597,524	492,253	729,960	3,359,817	579,831
Capital Leases	861,582	335,000	184,783	1,011,799	209,571
Total Governmental Activities					
Long-Term Obligations	<u>\$43,794,919</u>	<u>\$1,634,486</u>	<u>\$4,112,076</u>	<u>\$41,317,329</u>	<u>\$4,059,402</u>

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

Fiscal Year Ending June 30,	Serial	Serial	Capital	Capital	Total
	Bond	Bond	Appreciation	Appreciation	
	Principal	Interest	Bond	Bond	
2009	\$3,270,000	\$1,133,165	\$0	\$0	\$4,403,165
2010	1,705,000	1,031,561	452,794	1,262,206	4,451,561
2011	1,775,000	957,552	423,708	1,291,292	4,447,552
2012	1,855,000	878,715	398,617	1,316,383	4,448,715
2013	1,935,000	794,732	373,550	1,336,450	4,439,732
2014-2018	6,800,000	3,338,231	937,996	2,662,004	13,738,231
2019-2023	9,830,000	1,013,000	1,038,100	1,736,900	13,618,000
2024	0	0	975,995	1,799,005	2,775,000
Total	\$27,170,000	\$9,146,956	\$4,600,760	\$11,404,240	\$52,321,956

The School District's overall legal debt margin was \$41,281,115 with an unvoted debt margin of \$733,861 at June 30, 2008.

1996 School Improvement Refunding Bonds - On December 1, 1996, Springfield City School District issued general obligation bonds in the amount of \$17,073,669 to defease the School Improvement general obligation bonds. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. The bonds were issued for a sixteen-year period with final maturity during December 2012. The bonds will be retired from the Bond Retirement Debt Service Fund.

The capital appreciation bonds, issued at \$1,648,669, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2010, 2011, 2012 and 2013. The maturity amounts of the capital appreciation bonds are \$1,715,000, \$1,715,000, \$1,715,000 and \$1,710,000, respectively. Accretion on the capital appreciation bonds for fiscal year 2008 was \$485,101.

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

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

The capital appreciation bonds, issued at \$937,996, are not subject to redemption prior to scheduled maturity. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amount of the capital appreciation bonds is \$1,800,000 in fiscal years 2014 and 2015. Accretion on the capital appreciation bonds for fiscal year 2008 was \$190,458.

2006 General Purpose Refunding Bonds - On December 21, 2006, the School District issued bonds for the purpose of advance refunding the \$19,890,000 outstanding 2001 Classroom Facilities Assistance General Obligation Term Bonds. The refunded bonds outstanding at June 30, 2008 were \$19,890,000.

The serial bonds, issued at \$17,875,000, maturing on December 1, 2007 to December 1, 2021, are subject to optional redemption. Bonds maturing on December 1, 2017 and thereafter are subject to optional redemption, in whole or in part on any date and by lot within a maturity, at the option of the School District on or after December 1, 2016 at par plus accrued interest to the date of redemption.

The capital appreciation bonds, issued at \$2,014,095, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2023 and 2024. The maturity amounts of the capital appreciation bonds are \$2,775,000 in fiscal years 2023 and 2024. Accretion on the capital appreciation bonds for fiscal year 2008 was \$131,674.

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 16 - FUND OBLIGATIONS

A summary of the short-term note transactions for the fiscal year ended June 30, 2008 follows:

Types / Issues	Balance 6/30/07	Issued	Retired	Balance 6/30/08
2005 - 4.3% Permanent Improvement Tax Anticipation Notes \$4,400,000	\$3,500,000	\$0	\$400,000	\$3,100,000
2006 - 6.35% Current Expense Tax Anticipation Notes \$6,462,000	<u>6,462,000</u>	<u>0</u>	<u>862,000</u>	<u>5,600,000</u>
Total Governmental Activities	<u>\$9,962,000</u>	<u>\$0</u>	<u>\$1,262,000</u>	<u>\$8,700,000</u>

On August 8, 2005 the School District issued 4.3 percent Permanent Improvement Tax Anticipation Notes in the amount of \$4,400,000. The District has pledged property tax revenue to meet the annual note payments from the permanent improvement levy. The permanent improvement levy generates approximately \$730,000 annually. The notes will mature on December 1, 2014. The notes will be retired from the Project Construction Fund.

On April 4, 2006 the School District issued 6.35 percent Current Expense Tax Anticipation Notes in the amount of \$6,462,000. The notes were issued to provide revenue that was to be collected on a 9.0 mill emergency levy passed by the voters in February 2006 that generates \$6,462,900 annually for the School District. The revenue collected from this levy has been pledged to make the annual note payments. The notes will mature on December 7, 2011. The notes will be retired from the General Fund.

Fiscal Year Ending June 30,	Tax Anticipation Notes Principal	Tax Anticipation Notes Interest	Total
2009	\$1,700,000	\$439,775	\$2,139,775
2010	1,800,000	336,850	2,136,850
2011	1,800,000	230,750	2,030,750
2012	1,900,000	121,100	2,021,100
2013	500,000	53,750	553,750
2014-2015	<u>1,000,000</u>	<u>43,000</u>	<u>1,043,000</u>
	<u>\$8,700,000</u>	<u>\$1,225,225</u>	<u>\$9,925,225</u>

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 17 - INTERFUND ACTIVITY

Interfund balances at June 30, 2008, consist of the following interfund receivables and payables:

	Receivable	
		<u>General</u>
Payable	Other Governmental Funds	<u>\$95,868</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use those restricted monies to reimburse the General Fund for the initial advance.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Clark County Family and Children First Council

The School District participates in the Clark County Family and Children First Council. The Council coordinates and integrates services within Clark County, which are available for families and children, and establishes a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children. A board of eighteen trustees, one of which is the Superintendent of the Springfield City School District, governs the Council. During fiscal year 2008, the School District contributed \$10,223 to the Council. Financial information can be obtained from Marilyn Demma, Executive Director, at 6 West High Street, Arcue Building, Suite 500, Springfield, Ohio 45502.

B. Southwestern Ohio Educational Purchasing Council

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member district. Any district withdrawing from SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the SOEPC. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The School District made no financial contributions to the SOEPC during fiscal year 2008. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

C. Springfield/Clark County Joint Vocational School

Springfield/Clark County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service centers' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the Joint Vocational School during fiscal year 2008. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pamela Mustovich, who serves as Treasurer, at 1901 Selma Road, Springfield, Ohio 45505-4329.

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Plan

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 20 - CONTRACTUAL COMMITMENTS

The School District contracted for the design and construction of a new high school building. The outstanding construction commitments at June 30, 2008 are:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/2008
George Igel & Company	\$2,625,194	\$2,357,865	\$267,329
Double D & D Materials	45,653	43,653	2,000
ATC Associates	261,185	181,191	79,994
Lesko Associates	1,722,925	1,546,547	176,378
Continental Office Environment	2,068,566	985,087	1,083,479
Brookside Lawn Service	94,800	0	94,800
Corna/Kokosing Construction	10,411,052	9,632,960	778,092
Sidley Precast Group	1,748,001	1,717,091	30,910
The Kenny Huston Co.	4,713,523	4,695,680	17,843
Exterior Systems Inc.	1,310,096	1,287,188	22,908
Capital Aluminum and Glass Corp.	398,144	391,804	6,340
Valley Interior System	1,564,625	1,422,277	142,348
Stonecreek Interior Systems, LLC	1,367,085	1,161,574	205,511
The Final Floor, Inc.	269,299	265,650	3,649
Schindler Elevator Corp.	92,956	89,424	3,532
Louis R. Polster Co.	459,990	439,723	20,267
Kirk Williams Co.	7,489,074	7,048,863	440,211
Starco, Inc.	3,085,534	2,892,549	192,985
Dalmation Fire, Inc.	727,056	702,636	24,420
Beacon Electric	6,037,287	5,587,845	449,442
Stan and Associates	136,206	36,499	99,707
Acree Dailey	616,949	362,731	254,218
A & B Asphalt	1,162,542	175,187	987,355
Thompson Concrete	720,936	141,661	579,275
Sound Com	1,102,527	253,919	848,608
Total	<u>\$50,231,205</u>	<u>\$43,419,604</u>	<u>\$6,811,601</u>

NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2007	\$651,790	\$0
Current Fiscal Year Set-aside Requirement	1,305,651	1,305,651
Current Fiscal Year Offsets	0	(1,305,651)
Qualifying Disbursements	(1,231,434)	0
Set-aside Reserve Balance as of June 30, 2008	\$726,007	\$0
Required Set-aside Balances Carried Forward to FY 2008	\$726,007	\$0

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements for capital improvements during the fiscal year, this extra amount may not be used to reduce the set-aside requirements of future fiscal years.

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is currently not party to any pending litigation which is deemed to have any significance to the financial condition of the School District.

Springfield City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 23 – SUBSEQUENT EVENT

On August 14, 2008, the School District made a final payment on the food service lease of \$649,266.

On December 9, 2008, the School District issued \$3,064,000 in variable interest rate Energy Conservation Bonds for the purpose of energy conservation improvements.

NOTE 24 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the District has implemented GASB Statement No. 45, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues” and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District; however, certain disclosures related to short term borrowings have been modified to conform to the new reporting requirements.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

Springfield City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Non-Cash Receipts</u>	<u>Award Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutritional Cluster:						
National School Breakfast Program	PU	10.553	785,591		785,591	
National School Lunch Program	LLP	10.555	2,302,033		2,302,033	
Summer Food Service Program	24PU	10.559	<u>54,194</u>		<u>54,194</u>	
Total Nutrition Cluster			<u>3,141,818</u>		<u>3,141,818</u>	
Food Distribution Program		10.550		<u>208,712</u>		<u>208,712</u>
Total U.S. Department of Agriculture			<u>3,141,818</u>	<u>208,712</u>	<u>3,141,818</u>	<u>208,712</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Adult Education	AB	84.002	313,657		307,259	
Title I Grant	C1S	84.010	4,579,178		4,484,573	
Special Education Cluster:						
Title VI-B	6B	84.027	2,362,475		2,399,535	
Preschool Disabilities Grant	PGS	84.173	<u>85,549</u>		<u>73,939</u>	
Total Special Education Cluster			2,448,024		2,473,474	
Safe and Drug-Free Schools and Communities State Grant	DRS	84.186	50,817		51,563	
Even Start Family Literacy Grant	EVS	84.213	206,390		190,193	
21st Century Community Learning Centers	T1S	84.287	224,262		230,601	
Innovative Strategy (Title V)	C2S	84.298	19,239		6,516	
Technology Literacy Challenge (Title II-D)	TJS	84.318	46,259		46,186	
Comprehensive School Reform Demonstration Grant	RF	84.332	35,742		34,510	
Reading First	RSS	84.357	184,078		196,701	
English Language Acquisition (Title III)	T3S	84.365	15,010		9,030	
Teacher Quality Grant (Title II-A)	TRS	84.367	853,777		893,587	
Total U.S. Department of Education			<u>8,976,433</u>	<u>-</u>	<u>8,924,193</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Direct Program</i>						
Safe Schools / Healthy Students	N/A	84.184L	2,095,000		2,065,015	
TANF Afterschool Readiness	N/A	93.558	94,812		133,100	
Total U.S. Department of Health and Human Services			<u>2,189,812</u>	<u>-</u>	<u>2,198,115</u>	<u>-</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>14,308,063</u>	<u>208,712</u>	<u>14,264,126</u>	<u>208,712</u>

See accompanying notes to federal award expenditures

Springfield City School District
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springfield City School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2008-001 to be significant deficiencies in internal control over financial reporting.

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 23, 2008.

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

This report is intended solely for the information and use of management, the finance committee, 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.



Springfield, Ohio
December 23, 2008

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

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

Compliance

We have audited the compliance of the Springfield City School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

This report is intended solely for the information and use of management, the finance committee, others within the entity, 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, Hachett & Co.

Springfield, Ohio
December 23, 2008

**Springfield City School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2008**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 84.010 – Title I	
CFDA 84.367 – Title II-A Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$434,185
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding Number 2008-001

Effective internal controls over financial reporting help to prevent or detect misstatements in the financial statements and compliance with governmental accounting standards. The District has contracted with the Local Government Services Division of the Auditor of State’s office for financial statement preparation in conformity with accounting principles generally accepted in the United States of America (GAAP). However, management of the District is ultimately responsible for the presentation of the financial statements.

Prior period adjustments and current audit adjustments indicate internal controls over financial reporting are not operating effectively to prevent errors and omissions from going undetected. As disclosed in Note 3 to the financial statements, the District restated net assets of Governmental Activities as of June 30, 2007. This restatement was necessary due to errors in the calculation of grants receivable and revenue for the Ohio School Facilities project recorded in the prior year. In addition, during the current

audit, audit adjustments were required to properly report cash with escrow agents and retainage payable.

In addition, a draft of the financial statements was filed in order to meet the District's statutory filing deadline. During the audit process significant adjustments were required to be made to the management's discussion and analysis and notes to the financial statements filed by the District.

The District should implement appropriate procedures to ensure the amounts and disclosure information, including required supplementary information, are accurate, complete and available on a timely basis to make certain timely information is available for critical management decisions.

Management Response:

The District is meeting with management of Local Government Services to implement procedures and timelines to ensure the financial statements filed with the Auditor of State are a complete and accurate representation of the District's financial condition.

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

Finding 2007-001 – Audit adjustments were required to present financial statements in accordance with GAAP in the prior year. Finding repeated in fiscal year 2008 as finding 2008-001.



Mary Taylor, CPA
Auditor of State

SPRINGFIELD CITY SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2009**