

Springboro Community City School District

Warren County

Single Audit

July 1, 2003 through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Education
Springboro Community City School District
1685 S. Main Street
Springboro, Ohio 45066

We have reviewed the Independent Auditor's Report of the Springboro Community City School District, Warren County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 11, 2005

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

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Springboro Community City School District
270 West Central Avenue
Springboro, Ohio 45066

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Springboro Community City School District (the School District), Warren County, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion 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 basic 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 opinion.

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 School District, as of June 30, 2004, and the respective changes in financial position thereof, 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 March 2, 2005, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Members of the Board
Springboro Community City School District
Independent Auditor's Report

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

March 2, 2005

Springboro Community City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Springboro Community City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$3,400,392
- General revenues accounted for \$25,915,327 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,120,808 or 14% of total revenues of \$30,036,135.
- The School District had \$33,436,527 in expenses related to governmental activities; only \$4,120,808 of these expenses were offset by program specific charges for services and sales, grants and contributions.
- The School District has two major funds; the General Fund and the Building Capital Projects Fund. The General Fund had \$26,248,185 in revenues and other financing sources and \$29,060,874 in expenditures. The General Fund's balance decreased \$2,812,689. The Building Capital Project Fund had \$62,493,405 in revenues and other financing sources and \$1,706,068 in expenditures, resulting in a \$60,787,337 increase in fund balance.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Springboro Community City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Springboro Community City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

- In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. 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 most significant funds. The School District's major governmental funds are the General Fund and the Building Capital Projects Fund.

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

Springboro Community City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

	Governmental Activities	
	2004	2003*
Assets		
Current and Other Assets	\$83,528,158	\$21,067,703
Capital Assets	31,434,426	31,259,903
Total Assets	<u>114,962,584</u>	<u>52,327,606</u>
Liabilities		
Long-term Liabilities	94,334,889	32,821,496
Other Liabilities	23,936,858	19,414,881
Total Liabilities	<u>118,271,747</u>	<u>52,236,377</u>
Net Assets		
Invested in Capital Assets, Net of Debt	(61,515,030)	(362,854)
Restricted	62,172,216	1,990,679
Unrestricted	(3,966,349)	(1,536,596)
Total Net Assets	<u><u>(\$3,309,163)</u></u>	<u><u>\$91,229</u></u>

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

Springboro Community City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004 as compared to 2003.

Table 2		
Changes in Net Assets		
	Governmental	Governmental
	Activities	Activities
	2004	2003*
Revenues		
Program Revenues		
Charges for Services and Sales	\$1,506,432	\$1,348,708
Operating Grants and Contributions	2,599,376	2,276,472
Capital Grants and Contributions	15,000	51,521
Total Program Revenues	4,120,808	3,676,701
General Revenues		
Property Taxes	14,729,358	16,289,702
Grants, Entitlements and Contributions Not Restricted	10,894,303	10,821,674
Investment Earnings	45,702	59,374
Miscellaneous	245,964	236,638
Total General Revenues	25,915,327	27,407,388
Total Revenues	30,036,135	31,084,089
Program Expenses		
Instruction:		
Regular	16,204,860	14,862,510
Special	1,765,986	1,685,723
Vocational	11,151	245,607
Other	198,926	119,489
Support Services:		
Pupil	1,566,009	1,332,355
Instructional Staff	2,297,840	1,778,749
Board of Education	147,308	118,078
Administration	1,949,871	1,946,770
Fiscal	733,718	742,409
Business	153,541	115,296
Operation and Maintenance of Plant	1,874,802	2,079,986
Pupil Transportation	2,232,970	2,051,344
Central	294,238	237,081
Operation of Non-Instructional Services	1,205,159	1,498,791
Extracurricular Activities	941,997	837,981
Interest and Fiscal Charges	1,858,151	1,758,508
Total Expenses	33,436,527	31,410,677
Decrease in Net Assets	(3,400,392)	(326,588)
Net Assets at Beginning of Year	91,229	417,817
Net Assets at End of Year	(\$3,309,163)	\$91,229
* As restated, for further informaiton regarding restatement of fund balances and net assets, refer to Note 3 of the basic financial statements.		

Springboro Community City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2004	2004	2003	2003 *
Program Expenses				
Instruction:				
Regular	\$16,204,860	(\$15,709,482)	\$14,862,510	(\$14,407,647)
Special	1,765,986	(1,115,434)	1,685,723	(1,245,515)
Vocational	11,151	(10,841)	245,607	(244,722)
Other	198,926	(198,384)	119,489	(113,888)
Support Services:				
Pupil	1,566,009	(1,513,148)	1,332,355	(1,250,928)
Instructional Staff	2,297,840	(2,075,160)	1,778,749	(1,435,378)
Board of Education	147,308	(144,487)	118,078	(115,135)
Administration	1,949,871	(1,908,096)	1,946,770	(1,929,984)
Fiscal	733,718	(723,075)	742,409	(739,931)
Business	153,541	(153,154)	115,296	(114,942)
Operation and Maintenance of Plant	1,874,802	(1,794,226)	2,079,986	(2,040,857)
Pupil Transportation	2,232,970	(1,339,471)	2,051,344	(1,323,642)
Central	294,238	(278,860)	237,081	(221,589)
Operation of Non-Instructional Services	1,205,159	(163,620)	1,498,791	(243,477)
Extracurricular Activities	941,997	(599,751)	837,981	(547,833)
Interest and Fiscal Charges	1,858,151	(1,588,530)	1,758,508	(1,758,508)
Total	<u>\$33,436,527</u>	<u>(\$29,315,719)</u>	<u>\$31,410,677</u>	<u>(\$27,733,976)</u>

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

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$29,756,136 and other financing sources of \$63,657,662 and expenditures of \$35,773,856. The most significant change was the increase to fund balance in the Building Capital Projects Fund. This was due mainly to the issuance of \$61,500,000 in bond anticipation notes. For more information regarding the issuance of these bond anticipation notes, refer to Note 13 to the basic financial statements.

Springboro Community City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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 2004, the School District amended its General Fund budget, but not significantly.

For the General Fund, budget basis revenue was \$26,890,296, below original estimates of \$27,411,645. Of this \$521,349 difference, most was due to less property tax monies being received than anticipated. For the General Fund, expenditures and encumbrances were \$28,091,498, above original estimates of \$27,604,565. Of this \$486,933, most was due to the increase in instruction costs. The School District's ending unobligated General Fund balance was \$288,832.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the School District had \$31,434,426 invested in land, buildings, furniture, equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$2,767,770	\$972,382
Buildings & Improvements	26,685,690	27,912,948
Furniture and Equipment	634,784	905,006
Vehicles	1,346,182	1,469,567
Totals	\$31,434,426	\$31,259,903

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

Debt

At June 30, 2004, the School District had general obligation bonds outstanding of \$27,468,152. The bonds were issued for school construction. The District had \$61,500,000 in bond anticipation notes outstanding. These anticipation notes were redeemed and issued as long term in July 2004. The District also had loans outstanding and capital leases payable of \$3,866,678 issued for various capital acquisition purposes. For additional information regarding debt, see Note 13 to the basic financial statements.

Springboro Community City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tim Dettwiller, Treasurer, at Springboro Community City School District, 1685 South Main Street, Springboro, Ohio 45066.

Springboro Community City School District, Ohio
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$63,134,662
Accounts Receivable	10,620
Materials and Supplies Inventory	5,929
Intergovernmental Receivable	28,780
Property Taxes Receivable	20,251,812
Restricted Cash and Cash Equivalents	96,355
Nondepreciable Capital Assets	2,767,770
Depreciable Capital Assets, Net	28,666,656
 Total Assets	 114,962,584
Liabilities:	
Accounts Payable	571,555
Accrued Wages and Benefits Payable	3,326,900
Accrued Interest Payable	114,626
Matured Compensated Absences Payable	57,509
Claims Payable	1,659
Deferred Revenue	19,129,412
Intergovernmental Payable	735,197
Long-Term Liabilities:	
Due Within One Year	62,918,962
Due In More Than One Year	31,415,927
 Total Liabilities	 118,271,747
Net Assets:	
Invested in Capital Assets, Net of Related Debt	(61,515,030)
Restricted for:	
Debt Service	978,349
Capital Outlay	60,813,940
Other Purposes	379,927
Unrestricted	(3,966,349)
 Total Net Assets	 (\$3,309,163)

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$16,204,860	\$304,218	\$191,160	\$0	(\$15,709,482)
Special	1,765,986	134,559	515,993	0	(1,115,434)
Vocational	11,151	310	0	0	(10,841)
Other	198,926	542	0	0	(198,384)
Support Services:					
Pupil	1,566,009	32,525	20,336	0	(1,513,148)
Instructional Staff	2,297,840	131,779	90,496	405	(2,075,160)
Board of Education	147,308	1,804	1,017	0	(144,487)
Administration	1,949,871	26,523	15,252	0	(1,908,096)
Fiscal	733,718	3,353	7,290	0	(723,075)
Business	153,541	387	0	0	(153,154)
Operation and Maintenance of Plant	1,874,802	42,297	24,404	13,875	(1,794,226)
Pupil Transportation	2,232,970	6,118	887,381	0	(1,339,471)
Central	294,238	9,277	6,101	0	(278,860)
Operation of Non-Instructional					
Services	1,205,159	611,430	430,109	0	(163,620)
Extracurricular Activities	941,997	199,893	142,353	0	(599,751)
Interest and Fiscal Charges	1,858,151	1,417	267,484	720	(1,588,530)
Totals	\$33,436,527	\$1,506,432	\$2,599,376	\$15,000	(29,315,719)
General Revenues					
Property Taxes Levied for:					
General Purposes					12,883,388
Debt Service					1,845,970
Grants, Entitlements and Contributions not					
Restricted to Specific Programs					10,894,303
Investment Earnings					45,702
Miscellaneous					245,964
Total General Revenues					25,915,327
Change in Net Assets					(3,400,392)
<i>Net Assets Beginning of Year - See Note 3</i>					91,229
Net Assets End of Year					(\$3,309,163)

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2004

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$700,467	\$61,013,432	\$1,420,763	\$63,134,662
Receivables:				
Property Taxes	17,873,663	0	2,378,149	20,251,812
Accounts	10,591	0	29	10,620
Interfund	46,093	0	0	46,093
Intergovernmental	0	0	28,780	28,780
Materials and Supplies Inventory	0	0	5,928	5,928
Restricted Assets:				
Cash and Cash Equivalents	96,355	0	0	96,355
Total Assets	\$18,727,169	\$61,013,432	\$3,833,649	\$83,574,250
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$328,319	\$217,400	\$25,836	\$571,555
Accrued Wages and Benefits Payable	3,231,182	0	95,718	3,326,900
Matured Compensated Absences Payable	57,509	0	0	57,509
Interfund Payable	0	0	46,093	46,093
Claims Payable	1,659	0	0	1,659
Intergovernmental Payable	456,477	0	20,881	477,358
Deferred Revenue	17,352,463	0	2,288,249	19,640,712
Total Liabilities	21,427,609	217,400	2,476,777	24,121,786
Fund Balances				
Reserved for Encumbrances	310,469	5,706,216	49,772	6,066,457
Reserved for Property Taxes	521,200	0	89,900	611,100
Reserved for Budget Stabilization	96,355	0	0	96,355
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(3,628,464)	0	0	(3,628,464)
Special Revenue Funds	0	0	399,452	399,452
Debt Service Funds	0	0	813,249	813,249
Capital Projects Funds	0	55,089,816	4,499	55,094,315
Total Fund Balances	(2,700,440)	60,796,032	1,356,872	59,452,464
Total Liabilities and Fund Balances	\$18,727,169	\$61,013,432	\$3,833,649	\$83,574,250

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 As of June 30, 2004*

Total Governmental Fund Balances		\$59,452,464
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.		31,434,426
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental and Property Taxes		511,300
Accrued Interest Payable related to long term obligations is not reported in the funds.		(114,626)
A portion of pension obligations are not paid within the available period and therefore are not reported in the funds		(257,838)
Long-Term Liabilities, including bonds, long-term portion of compensated absences and the long-term portion of and therefore are not reported in the funds.		
Compensated Absences	(1,500,059)	
Capital Lease Obligations	(2,281,678)	
School Improvement Bonds	(27,468,152)	
Bond Anticipation Note Payable	(61,500,000)	
Loans Payable	(1,585,000)	
Total	(94,334,889)	(94,334,889)
Net Assets of Governmental Activities		(\$3,309,163)

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$12,675,021	\$0	\$1,771,837	\$14,446,858
Intergovernmental	12,203,664	0	1,256,427	13,460,091
Investment Earnings	39,365	5,405	932	45,702
Customer Sales and Services	3,150	0	680,346	683,496
Tuition and Fees	74,292	0	285,689	359,981
Extracurricular Activities	0	0	451,107	451,107
Gifts and Donations	467	0	62,470	62,937
Miscellaneous	129,094	0	116,870	245,964
<i>Total Revenues</i>	<u>25,125,053</u>	<u>5,405</u>	<u>4,625,678</u>	<u>29,756,136</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,122,629	0	510,809	14,633,438
Special	1,495,426	0	250,411	1,745,837
Vocational	70,540	0	0	70,540
Other	198,977	0	0	198,977
Support Services:				
Pupil	1,479,154	0	53,332	1,532,486
Instructional Staff	1,977,658	0	265,147	2,242,805
Board of Education	143,433	0	3,856	147,289
Administration	1,862,653	0	41,407	1,904,060
Fiscal	713,796	0	32,101	745,897
Business	138,711	0	0	138,711
Operation and Maintenance of Plant	2,296,146	0	20,048	2,316,194
Pupil Transportation	2,177,397	0	0	2,177,397
Central	233,024	0	17,894	250,918
Operation of Non-Instructional Services	50,441	0	1,116,883	1,167,324
Extracurricular Activities	556,732	0	380,138	936,870
Capital Outlay	574,905	678,236	122,857	1,375,998
Debt Service:				
Principal	742,956	966,000	835,490	2,544,446
Interest and Fiscal Charges	226,296	61,832	1,356,541	1,644,669
<i>Total Expenditures</i>	<u>29,060,874</u>	<u>1,706,068</u>	<u>5,006,914</u>	<u>35,773,856</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,935,821)</u>	<u>(1,700,663)</u>	<u>(381,236)</u>	<u>(6,017,720)</u>
Other Financing Sources:				
Proceeds from Sale of Notes	0	61,500,000	0	61,500,000
Inception of Capital Lease	1,123,132	988,000	46,530	2,157,662
<i>Total Other Financing Sources</i>	<u>1,123,132</u>	<u>62,488,000</u>	<u>46,530</u>	<u>63,657,662</u>
<i>Net Change in Fund Balance</i>	<u>(2,812,689)</u>	<u>60,787,337</u>	<u>(334,706)</u>	<u>57,639,942</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>112,249</u>	<u>8,695</u>	<u>1,691,578</u>	<u>1,812,522</u>
<i>Fund Balances End of Year</i>	<u>(\$2,700,440)</u>	<u>\$60,796,032</u>	<u>\$1,356,872</u>	<u>\$59,452,464</u>

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds \$57,639,942

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

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

Capital Asset Additions	1,900,097	
Current Year Depreciation	<u>(1,700,979)</u>	
Total		199,118

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

Loss on Disposal of Capital Assets	<u>(24,595)</u>	
Total		(24,595)

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

Intergovernmental and Property Taxes	<u>280,000</u>	
Total		280,000

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

(2,157,662)

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

(61,500,000)

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

1,783,000

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

(221,154)

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

761,446

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

7,671

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(179,023)	
Pension Obligations	<u>10,865</u>	

Total		<u>(168,158)</u>
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Net Change in Net Assets of Governmental Activities (\$3,400,392)

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<i>Total Revenues and Other Financing Sources</i>	\$27,411,645	\$26,958,246	\$26,890,296	(\$67,950)
<i>Total Expenditures and Other Financing Uses</i>	<u>27,604,565</u>	<u>27,933,159</u>	<u>28,091,498</u>	<u>(158,339)</u>
Net Change in Fund Balance	(192,920)	(974,913)	(1,201,202)	(226,289)
Fund Balance Beginning of Year	1,415,960	1,415,960	1,415,960	0
Prior Year Encumbrances Appropriated	<u>74,074</u>	<u>74,074</u>	<u>74,074</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,297,114</u></u>	<u><u>\$515,121</u></u>	<u><u>\$288,832</u></u>	<u><u>(\$226,289)</u></u>

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$86,132</u></u>

Liabilities:	
Undistributed Monies	<u><u>\$86,132</u></u>

See accompanying notes to the basic financial statements

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Springboro Community City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1990 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44.7 square miles. It is located in Warren County, and includes the City of Springboro and Clearcreek Township and a small portion of Franklin Township. It is staffed by 181 non-certificated employees and 266 certificated full-time teaching personnel who provide services to 4,320 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

A. Reporting Entity

The reporting entity is comprised of the primary government. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Springboro Community City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes.

The School District has no component units.

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

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued on or after November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds.

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

Building Fund The Building Capital Projects Fund accounts for revenues received from the sale of School Improvement Bonds.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds which account for student activities.

C. Measurement Focus

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period that the vacation and sick leave have matured, and (3) the costs for accrued workers compensation which will not be paid during the available period. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

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

During fiscal year 2004, investments were limited to STAR Ohio, overnight repurchase agreements, certificates of deposit, U.S. government securities and money market mutual funds.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings are allocated to the General Fund, the auxiliary services non-major special revenue fund, and the permanent fund in accordance with School District policy. Interest revenue credited to the General Fund and Building Capital Projects Fund during fiscal year 2004 amounted to \$39,365 and \$5,405, respectively. The non-major funds received interest in the amount of \$932.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated commodities held for resale.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. It is not the School District's policy to capitalize interest incurred during the construction of capital assets.

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 and Improvements	20 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	3 - 15 years

H. Compensated Absences

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities and Long-term Obligations

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

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

J. Interfund Activity

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

K. Fund Balance Reserves

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

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to their use by grantors and the amounts restricted for set-asides (see Note 15).

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Estimates

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

N. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has the authority to allocate appropriations to the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

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

O. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by state statute to be set aside for budget stabilization. See Note 15 for additional information regarding set-asides and the budget stabilization reserve.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

Changes in Accounting Principles For the fiscal year 2004, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No.39, "Determining Whether Certain Organizations are Component Units." GASB Statement No. 39 is an amendment to GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationships with the primary government.

At June 30, 2004, the School District did not have any organizations that qualify as a component unit of the primary government and therefore, there was no effect on fund balance as a result of implementing GASB 39.

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

	General	Building Fund	Non- major	Total
Fund Balances, June 30, 2003	\$110,365	\$8,695	\$1,709,206	\$1,828,266
Restatements	1,884	0	(17,628)	(15,744)
Adjusted Fund Balances, June 30, 2003	\$112,249	\$8,695	\$1,691,578	1,812,522
Net Assets, June 30, 2003				\$177,422
Restatements				(86,193)
Governmental Activities Net Assets, June 30, 2002				\$91,229

Accountability At June 30, 2004, the General Fund, and the Food Service, Title VI-B and Preschool special revenue funds had deficit fund balances of \$2,700,440, \$85,240, \$8,261 and \$1,251. The deficits in these funds are due to adjustments for accrued liabilities and the timing of grant awards. The General Fund provides transfers when cash is required, not when expenditures are incurred.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	(\$2,812,689)
Revenue Accruals	1,254,111
Expenditure Accrual	835,100
Encumbrances	(477,724)
Budget Basis	<u>(\$1,201,202)</u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond; and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits At year end, the carrying amount of the School District's deposits was \$4,615,763 and the bank balance was \$4,719,923. Of the bank balance:

1. \$210,674 was covered by federal depository insurance; and
2. The remainder was uninsured and uncollateralized. Non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Springboro Community City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

	<u>Unclassified</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
U. S. Government Securities	\$0	\$56,075,294	\$0	\$56,075,294
Repurchase Agreement	0	0	2,587,486	2,587,486
Money Market Mutual Fund	10,674	0	0	0
STAR Ohio	27,932	0	0	27,932
Totals	<u>\$38,606</u>	<u>\$56,075,294</u>	<u>\$2,587,486</u>	<u>\$58,690,712</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$63,317,149	\$0
Investments:		
U.S. Government Securities	(56,075,294)	56,075,294
STAR Ohio	(27,932)	27,932
Repurchase Agreements	(2,587,486)	2,587,486
Money Market Mutual Funds	<u>(10,674)</u>	<u>10,674</u>
GASB Statement 3	<u>\$4,615,763</u>	<u>\$58,701,386</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) are for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004, and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 First-		2004 First-	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$525,159,000	91.41%	\$583,501,130	92.02%
Public Utility Personal	26,717,040	4.65%	27,503,270	4.34%
Tangible Personal Property	22,664,570	3.94%	23,073,800	3.64%
Total	\$574,540,610	100.00%	\$634,078,200	100.00%
Tax Rate per \$1,000 of assessed valuation	\$55.41		\$54.41	

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

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

The School District receives property taxes from Warren County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2004, was \$611,100 and is recognized as revenue: \$521,200 in the General Fund and \$89,900 in the Bond Retirement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, interfund, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amount
Non-major Special Revenue Funds:	
Food Service	\$11,849
Miscellaneous State Grants	10,200
Title V	6,731
Total Non-major Special Revenue Funds	28,780
Total All Funds	\$28,780

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Ending Balance 06/30/03	Additions	Deletions	Ending Balance 06/30/04
<u>Governmental Activities</u>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$972,382	\$1,795,388	\$0	\$2,767,770
<i>Total Capital Assets, Not Being Depreciated</i>	972,382	1,795,388	0	2,767,770
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	41,069,386	0	0	41,069,386
Furniture and Equipment	6,170,602	70,709	(63,774)	6,177,537
Vehicles	2,467,872	34,000	0	2,501,872
<i>Total Capital Assets, Being Depreciated</i>	49,707,860	104,709	(63,774)	49,748,795
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(13,156,438)	(1,227,258)	0	(14,383,696)
Furniture and Equipment	(5,265,596)	(316,336)	39,179	(5,542,753)
Vehicles	(998,305)	(157,385)	0	(1,155,690)
<i>Total Accumulated Depreciation</i>	(19,420,339)	(1,700,979)	39,179	(21,082,139)
<i>Total Capital Assets Being Depreciated, Net</i>	30,287,521	(1,596,270)	(24,595)	28,666,656
<i>Governmental Activities Capital Assets, Net</i>	\$31,259,903	\$199,118	(\$24,595)	\$31,434,426

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$1,425,430
Special	16,539
Support Services:	
Pupil	24,638
Instructional Services	43,160
Administration	15,188
Fiscal Services	4,470
Business	5,244
Operation and Maintenance of Plant	39,895
Pupil Transportation	90,847
Central Services	886
Non-Instructional Services	18,800
Extracurricular Activities	15,882
Total Depreciation Expense	<u>\$1,700,979</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance Company for property insurance with a \$62,952,620 aggregate limit and a \$1,000 deductible and inland marine of \$64,000 limit and a \$500 deductible. Professional liability is protected by the Indiana Insurance Company with a per occurrence limit of \$2,000,000 and a \$2,000,000 aggregate limit with a \$10,000 deductible under a commercial umbrella policy.

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

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

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

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

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - RISK MANAGEMENT (Continued)

The claims liability of \$1,659 reported in the general fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but no reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. The amount represents run off claims. Changes in the fund's claims liability amount in the past three fiscal years were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2002	\$42,289	\$219,530	\$208,146	\$53,673
2003	53,673	236,793	227,331	63,135
2004	63,135	185,819	247,295	1,659

NOTE 10 – COMPENSATED ABSENCES

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2004, 4.91% was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School Districts required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$237,743, \$451,534, and \$132,310 respectively; 51 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$115,901 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$25,400. For the School District, no contribution to fund health care benefits, including the surcharge, during the 2004 fiscal year was required. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits was \$300.8 million.

The number of benefit recipients currently receiving health care benefits is approximately 62,000.

B. State Teachers Retirement System

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

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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

If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

Benefits are increased annually by 3 percent of the original base amount.

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

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for fiscal years ended June 30, 2004, 2003, and 2002 were \$2,110,779, \$2,230,972, and \$1,014,545 respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$351,692 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocated employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2004, 1 percent of covered payroll was allocated to the fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

Both systems are funded on a pay-as-you-go basis.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$150,145 for fiscal year 2004. STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium. After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$241,643.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

NOTE 13 - LONG TERM OBLIGATIONS

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

	Principal Outstanding 06/30/03	Additions	Reductions	Principal Outstanding 06/30/04	Amounts Due in One Year
Governmental Activities					
School Improvement Bond					
1996 and 1991 Refunding 5.24%	\$28,066,998	\$221,154	\$820,000	\$27,468,152	\$910,000
2004 Bond Anticipation Notes 1.75%	0	61,500,000	0	61,500,000	61,500,000
Loans Payable	2,548,000	0	963,000	1,585,000	122,000
Capital Leases Payable	885,462	2,157,662	761,446	2,281,678	135,478
Compensated Absences	1,321,036	179,023	0	1,500,059	251,484
Total Governmental Activities					
Long-Term Liabilities	<u>\$32,821,496</u>	<u>\$64,057,839</u>	<u>\$2,544,446</u>	<u>\$94,334,889</u>	<u>\$62,918,962</u>

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 13 - LONG TERM OBLIGATIONS (Continued)

Springboro High School Addition General Obligation Bonds - On February 7, 1996, the School District issued \$32,664,632 in voted general obligation bonds for the purpose of constructing a new high school building and to refund a 1991 School Improvement bond issuance. \$6,535,000 were issued as serial bonds with interest rates ranging from 3.50% to 4.40%, and maturity dates of December 1, 1996 to December 1, 2003. \$25,045,000 are term bonds with interest rates ranging from 5.10% to 6.00%, and maturity dates of December 1, 2011, 2016, and 2023. \$1,084,632 are capital appreciation bonds with maturity dates of December 1, 2004, 2005, and 2006, with maturity amounts of \$910,000, \$965,000, and \$915,000 respectively. The capital appreciation bonds were accreted \$221,154 in fiscal year 2004 for a total outstanding bond value of \$27,468,152. The bonds were issued for a twenty-five year period. The bond value at final maturity will be \$28,655,000. The bonds will be retired from the debt service fund.

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

Springboro School Bus Purchase Loan - In May 2001, Springboro Community City School District borrowed \$841,000 from the Ohio School Boards Association School Pool, for the purpose of buying school buses for the School District. The loan is for a three-year period with final maturity at May 2004. This debt was refinanced during the fiscal year as part of the October 2003 and June 2004 capital lease agreements.

Springboro School Improvement Bond Anticipation Notes – In April 2004, Springboro Community City School District issued \$61,500,000 in bond anticipation notes for the purpose of school improvement. The bond anticipation notes have an interest rate of 1.75% with a yield of 1.12% and mature on October 12, 2004. The notes will be retired with revenue to be received from the sale of School Improvement Bonds.

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

In prior years, the School District defeased School Improvement obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements.

The overall debt margin of the School District as of June 30, 2004, was (\$35,767,752), with an unvoted debt margin of \$634,078. The Board of Education received approval to become a special needs district and issue bonds in an amount in excess of the nine percent debt limitation.

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 13 - LONG TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the school improvement bonds and the OASBO Loans outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005*	\$1,032,000	\$1,928,682	\$2,960,682
2006	1,087,000	1,994,417	3,081,417
2007	1,037,000	1,991,030	3,028,030
2008	1,082,000	1,363,092	2,445,092
2009	1,142,000	1,298,177	2,440,177
2010-2014	6,690,000	5,404,106	12,094,106
2015-2019	8,275,000	3,406,770	11,681,770
Thereafter	9,075,000	1,097,903	10,172,903
Total	<u>\$29,420,000</u>	<u>\$18,484,177</u>	<u>\$47,904,177</u>

* This excludes the \$61,500,000 bond anticipation note which matures October 12, 2004 and will be refinanced with revenues received from the sale of School Improvement Bonds.

NOTE 14 – INTERFUND ACTIVITY

As of June 30, 2004 receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund (Major Fund)	\$46,093	\$0
Non-major Special Revenue Funds:		
Chapter 2	0	3,766
Preschool	0	1,251
Title VI-B	0	8,633
Food Service	0	23,330
High Schools That Work	0	9,113
Total Non-major Special Revenue Funds	<u>0</u>	<u>46,093</u>
Total All Funds	<u>\$46,093</u>	<u>\$46,093</u>

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 15 – SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

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

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve
Cash Balance 07/01/2003	\$0	\$0	\$96,355
Current Year Set-Aside Requirement	564,364	564,364	0
Offset Credits and Prior Year Carryover	(93,096)	(96,681)	0
Qualifying Expenditures	(515,237)	(676,906)	0
Balance Carried Forward to FY 2005	(\$43,969)	(\$209,223)	\$96,355
Set Aside Reserve Cash Balance as of June 30, 2004	\$0	\$0	\$96,355

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

NOTE 16 – CAPITALIZED LEASES – LESSEE DISCLOSURE

During previous years, the School District entered into capitalized leases for the purchase of modular classrooms, computers, copiers and to construct a new central office. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the combined financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 16 – CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)

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

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

Fiscal Year Ending June 30,	Minimum Lease Payment
2005	\$243,606
2006	227,153
2007	183,940
2008	143,463
2009	143,796
2010 – 2014	717,662
2015 - 2019	717,361
Thereafter	1,987,230
Total	4,364,211
Less: Amount Representing Interest	(2,082,533)
Present Value of Net Minimum Lease Payments	\$2,281,678

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

The governing board of SWOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid approximately \$71,761 to SWOCA for services rendered during the fiscal year. Financial information can be obtained from Michael Crumley, Executive Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

NOTE 18 – STATE SCHOOL FUNDING DECISION

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

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

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

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

Springboro Community City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 20 – CONTRACT COMMITMENTS

As of June 30, 2004, the School District had contractual purchase commitments for professional design services for the construction of new school facilities as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/04
Steed Hammond Paul, Inc.	\$3,231,620	\$0	\$3,231,620
Monarch Construction Co.	3,075,333	0	3,075,333
Totals	<u>\$6,306,953</u>	<u>\$0</u>	<u>\$6,306,953</u>

NOTE 21 – SUBSEQUENT EVENTS

On July 15, 2004 the Springboro Community City School District issued \$61,500,000 in School Improvement Unlimited Tax General Obligation Bonds. These bonds were issued to retire or redeem the \$61,500,000 in School Improvement Unlimited Tax General Obligation Bond Anticipation Notes issued April 14, 2004.

The General Obligation Bonds are made up of \$37,210,000 in serial bonds with an interest rate fluctuating from 2%-5.125% and will mature in the year 2025; \$23,955,000 in term bonds with an interest rates of 4.75%-5% with \$10,360,000 maturing in the year 2027, \$4,570,000 in 2029 and \$9,025,000 in 2032; and two capital appreciation bonds totaling \$335,000 with interest rates ranging from 36.221%-36.221% with one maturing in 2010 in the amount of \$175,000 and \$160,000 maturing in 2011.

Springboro Community City School District, Ohio
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Donation	N/A	10.550	\$0	\$47,550	\$0	\$47,550
National School Lunch Program	LL-P4	10.555	86,094	0	86,094	0
Total United States Department of Agriculture - Nutrition Cluster			<u>86,094</u>	<u>47,550</u>	<u>86,094</u>	<u>47,550</u>
<u>United States Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Safe & Drug-Free Schools & Communities_State Grants	DR-S1	84.186	20,276	0	16,033	0
Title 1 Grants to Local Education Agencies	C1-S1	84.010	8,512	0	5,051	0
<i>Special Education Cluster</i>						
Special Education_Grants to States	6B-SF	84.027	422,321	0	379,322	0
Special Education_Preschool Grants	PG-S1	84.173	15,483	0	15,483	0
Total Special Education Cluster			<u>437,804</u>	<u>0</u>	<u>394,805</u>	<u>0</u>
Improving Teacher Quality State Grants	TR-S1	84.367	68,638	0	60,946	0
Education Technology State Grants	TJ-S1	84.318	0	0	1,238	0
Innovative Education Program Strategies	C2-S1	84.298	17,647	0	22,472	0
Total United States Department of Education			<u>552,877</u>	<u>0</u>	<u>500,545</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$638,971</u>	<u>\$47,550</u>	<u>\$586,639</u>	<u>\$47,550</u>

N/A = Pass through entity number not available
See Accompanying Notes to Schedule of Federal Awards Expenditures.

Springboro Community City School District, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2004

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTIONS

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed that federal monies are expended first. At June 30, 2004, the School District had no significant food commodities in inventory.

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
Springboro Community City School District
270 West Central Avenue
Springboro, Ohio 45066

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Springboro Community City School District (the School District), Warren County, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Members of the Board
Springboro Community City School District
Springboro, Ohio 45066

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the School District in a separate letter dated March 2, 2005.

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

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

March 2, 2005

BALESTRA, HARR & SCHERER CPAs, INC.

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

Members of the Board
Springboro Community School District
270 West Central Avenue
Springboro, Ohio 45066

Compliance

We have audited the compliance of Springboro Community City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Springboro Community City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Members of the Board
Springboro Community School District
Springboro, Ohio 45066

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133
Page 2

Internal Control Over Compliance

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

March 2, 2005

Springboro Community City School District, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
June 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster, CFDA # 84.027, and 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Springboro Community City School District, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
June 30, 2004

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



**Auditor of State
Betty Montgomery**

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SPRINGBORO COMMUNITY CITY SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2005**