



**Auditor of State
Betty Montgomery**

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Springfield Local School District
Lucas County
6900 Hall Street
Holland, Ohio 43528-9386

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Lucas County, (the School District), as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Local School District, Lucas County, Ohio, as of June 30, 2003, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the Government's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

May 13, 2004

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003**

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2003 are as follows:

In total, net assets increased \$3,909,659.

General revenues accounted for \$31,693,048, or 89 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$3,832,066 or 11 percent of total revenues of \$35,525,114.

The District's major funds included the general fund and the bond debt service fund. The general fund had \$28,027,244 in revenues and other financing sources and \$26,919,355 in expenditures and other financing uses. The general fund's fund balance increased \$1,107,889 from the prior fiscal year. The bond debt service fund had \$2,049,044 in revenues and \$2,050,487 in expenditures. The bond debt service fund's fund balance decreased \$1,443 from the prior fiscal year.

The revenue generated from the debt service fund is used to pay for the current portion of bonded debt.

During the fiscal year, the District fully retired an outstanding school improvement note of \$250,000.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the general fund is by far the most significant fund. The general fund and the bond debt service fund are the only two major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" 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 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.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the 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, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The major governmental funds are the General and Bond Retirement Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the District's Fiduciary Responsibilities – The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a Private Purpose Trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate Statement of Fiduciary Net Assets in the accompanied financial statements. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance the operation.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2003. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. Those two revenue sources represent 93 percent of total governmental activities revenue. Tax revenues include monies from District voter approval of school improvement levies. Reappraisal of Real Estate property values takes place every six years and

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

is know as the triennial update. Springfield is scheduled for the triennial update in calendar year 2006.

Table 1
Net Assets
Governmental Activities

	2003
Assets	
Current and Other Assets	\$ 26,152,853
Capital Assets, Net	16,207,435
<i>Total Assets</i>	42,360,288
 Liabilities	
Current and Other Liabilities	22,026,445
Long-Term Liabilities	13,290,907
<i>Total Liabilities</i>	35,317,352
 Net Assets	
Invested in Capital Assets, Net of Related Debt	5,072,435
Restricted	3,365,406
Unrestricted	(1,394,905)
<i>Total</i>	\$ 7,042,936

Table 2 reflects the changes in net assets for fiscal year 2003. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2002. A comparative analysis will be provided in future years when prior year information is available.

Table 2
Change in Net Assets
Governmental Activities

	2003
Revenues	
Program Revenues:	
Charges for Services and Sales	\$ 1,548,769
Operating Grants, Contributions and Interest	2,227,693
Capital Grants and Contributions	55,604
<i>Total Program Revenues</i>	3,832,066

(Continued)

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Table 2
Change in Net Assets
Governmental Activities (Continued)

	2003
General Revenues:	
Property Taxes	22,454,246
Grants and Entitlements	8,617,601
Interest	127,937
Gifts and Donations	61,239
Miscellaneous	432,025
<i>Total General Revenues</i>	<i>31,693,048</i>
<i>Total Revenues</i>	<i>35,525,114</i>
 Expenses	
Instruction	18,366,256
Support Services:	
Pupils	1,487,285
Instructional Staff	616,434
Board of Education	43,774
Administration	2,203,319
Fiscal	545,384
Operation and Maintenance of Plant	3,172,164
Pupil Transportation	1,693,461
Central	95,806
Non-Instructional	1,688,175
Extracurricular Activities	1,002,387
Interest and Fiscal Charges	701,010
<i>Total Expenses</i>	<i>31,615,455</i>
Increase in Net Assets	<u>\$ 3,909,659</u>

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Table 3
Governmental Activities
2003

	Total Cost of Services	Net Cost of Services
Instruction	\$ 18,366,256	\$ 16,621,276
Support Services:		
Pupils	1,487,285	1,355,167
Instructional Staff	616,434	449,983
Board of Education	43,774	43,774
Administration	2,203,319	2,148,319
Fiscal	545,384	545,384
Operation and Maintenance of Plant	3,172,164	3,172,164
Pupil Transportation	1,693,461	1,693,461
Central	95,806	81,885
Non-Instructional	1,688,175	148,778
Extracurricular Activities	1,002,387	822,188
Interest and Fiscal Charges	701,010	701,010
<i>Total Expenses</i>	<u>\$ 31,615,455</u>	<u>\$ 27,783,389</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 88 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$34,691,731 and expenditures of \$33,390,656. The net positive change of \$1,301,075 in fund balance for the year indicates that the District is able to meet current costs.

General Fund Budgeting Highlights

The 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 2003, the District amended its General Fund budget as needed.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Final expenditures were budgeted at \$30,349,282 while actual expenditures and encumbrances were \$29,806,134. The \$543,148 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual General Fund revenues were less than expenditures by \$229,157. During fiscal year 2003, interest revenue decreased significantly due to the declining economy. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the District had \$16,207,435 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets see Note 8 to the basic financial statements.

Debt

At June 30, 2003, the District had \$11,135,000 in two school improvement general obligation bond issues for building improvements. Both bonds were issued for a twenty-three year period, with final maturity on December 1, 2010 for the oldest issue and 2014 for the more recent issue. The bonds are being retired through the Bond Retirement debt service fund.

At June 30, 2003, the District's overall legal debt margin was \$48,887,394, with a direct limit un-voted debt margin of \$666,915.

For further information regarding the District's debt see Note 15 to the basic financial statements.

Current Issues

The School District is a suburban community of 25,000 people in Northwest Ohio. It has a growing number of retail/commercial businesses being an important part of the economy. New home construction continues, although at a moderated level compared to prior years.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

The district is currently operating in the first year of the state biennium budget. According to the 2003 Local District Report Card 68.5 percent of district revenue sources are from local funds, 27.6 percent from state funds and the remaining 3.9 percent is from federal funds. The total expenditure per pupil was calculated at \$8,610, which is a \$1,569 increase from the 2000 report card.

In 2000, the District passed a four-year operating levy of 8.9 mills. This levy will need to be replaced by December 2005 for the financial operations and stability of the district.

The District also passed a 1.9 mill permanent improvement levy in 1999. This generates approximately \$1,000,000 additional revenue to be used for maintaining, equipping and improving facilities of the school district. This levy is currently up for replacement with a 1.35 mill levy to run for five years.

In March 2004, the voters of the School District approved a .97 mil, twenty year, \$9,250,000 bond issue for the purpose of constructing, renovating and otherwise improving School District buildings and facilities.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert W. Moellenberg, Treasurer, Springfield Local School District, 6900 Hall Street, Holland, Ohio 43528.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Net Assets
June 30, 2003**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,355,366
Materials and Supplies Inventory	12,642
Receivables:	
Accounts Receivable	6,324
Intergovernmental Receivable	387,479
Taxes	21,256,727
Prepaid Items	6,414
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	127,901
Capital Assets	
Non-Depreciable Capital Assets	480,574
Depreciable Capital Assets, Net	<u>15,726,861</u>
<i>Total Assets</i>	<u>42,360,288</u>
Liabilities	
Accounts Payable	266,443
Accrued Wages and Benefits Payable	1,159,070
Intergovernmental Payable	475,810
Matured Compensated Absences Payable	167,538
Deferred Revenue	19,957,584
Long Term Liabilities:	
Due Within One Year	1,492,932
Due in More Than One Year	<u>11,797,975</u>
<i>Total Liabilities</i>	<u>35,317,352</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,072,435
Restricted for Debt Service	2,556,699
Restricted for Capital Outlay	423,045
Restricted for Other Purposes	385,662
Unrestricted	<u>(1,394,905)</u>
<i>Total Net Assets</i>	<u><u>\$ 7,042,936</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2003**

	<u>Expenses</u>
Governmental Activities	
Instruction:	
Regular	\$ 13,807,509
Special	2,827,651
Vocational	269,747
Other	1,461,349
Support services:	
Pupils	1,487,285
Instructional Staff	616,434
Board of Education	43,774
Administration	2,203,319
Fiscal	545,384
Operation and Maintenance of Plant	3,172,164
Pupil Transportation	1,693,461
Central	95,806
Operation of Non-Instructional Services	1,688,175
Extracurricular Activities	1,002,387
Interest and Fiscal Charges	701,010
<i>Total Governmental Activities</i>	<u><u>\$ 31,615,455</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Charges for Services and Sales	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
\$ 679,311	\$ 342,982	\$ 55,604	\$ (12,729,612)
	667,083		(2,160,568)
			(269,747)
			(1,461,349)
	132,118		(1,355,167)
	166,451		(449,983)
			(43,774)
	55,000		(2,148,319)
			(545,384)
			(3,172,164)
			(1,693,461)
	13,921		(81,885)
689,259	850,138		(148,778)
180,199			(822,188)
			(701,010)
<u>\$ 1,548,769</u>	<u>\$ 2,227,693</u>	<u>\$ 55,604</u>	<u>(27,783,389)</u>

General Revenues

Taxes:

Property Taxes, Levied for General Purposes	19,975,966
Property Taxes, Levied for Capital Outlay	852,954
Property Taxes, Levied for Debt Service	1,625,326
Grants and Entitlements not Restricted to Specific Programs	8,617,601
Gifts and Donations	61,239
Investment Earnings	127,937
Payments in Lieu of Taxes	13,219
Miscellaneous	280,609
Refund of Prior Year Expenditures	138,197
<i>Total General Revenues</i>	<u>31,693,048</u>
Change in Net Assets	3,909,659
<i>Net Assets Beginning of Year</i>	<u>3,133,277</u>
<i>Net Assets End of Year</i>	<u><u>\$ 7,042,936</u></u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2003**

	General Fund	Bond Retirement	Other Governmental Funds	Totals Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 871,378	\$ 2,443,651	\$ 1,040,337	\$ 4,355,366
Receivables:				
Accounts	4,366		1,958	6,324
Intergovernmental	12,179		375,300	387,479
Taxes	18,748,051	1,649,078	859,598	21,256,727
Prepaid Items	6,414			6,414
Materials and Supplies Inventory			12,642	12,642
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	127,901			127,901
<i>Total Assets</i>	<u>\$ 19,770,289</u>	<u>\$ 4,092,729</u>	<u>\$ 2,289,835</u>	<u>\$ 26,152,853</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 97,697		\$ 168,746	\$ 266,443
Accrued Wages and Benefits Payable	1,090,748		68,322	1,159,070
Intergovernmental Payable	447,926		27,884	475,810
Matured Compensated Absences Payable	165,754		1,784	167,538
Deferred Revenue	18,159,851	\$ 1,580,678	1,207,498	20,948,027
<i>Total Liabilities</i>	<u>19,961,976</u>	<u>1,580,678</u>	<u>1,474,234</u>	<u>23,016,888</u>
Fund Balances				
Reserved for Encumbrances	177,629		219,832	397,461
Reserved for Prepaid Items	6,414			6,414
Reserved for Property Taxes	588,200	68,400	27,400	684,000
Reserved for Budget Stabilization	127,901			127,901
Unreserved, Undesignated Reported in:				
General Fund	(1,091,831)			(1,091,831)
Special Revenue Funds			298,651	298,651
Debt Service Fund		2,443,651		2,443,651
Capital Projects Funds			269,718	269,718
<i>Total Fund Balances</i>	<u>(191,687)</u>	<u>2,512,051</u>	<u>815,601</u>	<u>3,135,965</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 19,770,289</u>	<u>\$ 4,092,729</u>	<u>\$ 2,289,835</u>	<u>\$ 26,152,853</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2003**

Total Governmental Fund Balances		\$ 3,135,965
<i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		16,207,435
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	\$ 375,300	
Property Taxes Receivable	615,143	
	<hr/>	990,443
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(269,142)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(11,135,000)	
Compensated Absences Payable	(1,886,765)	
	<hr/>	(13,021,765)
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 7,042,936</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003**

	General Fund	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 19,100,611	\$ 1,825,782	\$ 912,710	\$ 21,839,103
Intergovernmental	7,845,032	222,641	2,457,925	10,525,598
Interest	126,241		1,696	127,937
Tuition and Fees	461,179		15,639	476,818
Rent	50,214			50,214
Extracurricular Activities			324,641	324,641
Gifts and Donations	20,880		40,359	61,239
Customer Sales and Services	7,837		689,259	697,096
Payments in Lieu of Taxes	12,229	621	369	13,219
Miscellaneous	263,403		16,282	279,685
<i>Total Revenues</i>	<u>27,887,626</u>	<u>2,049,044</u>	<u>4,458,880</u>	<u>34,395,550</u>
Expenditures				
Current:				
Instruction:				
Regular	12,532,120		1,046,920	13,579,040
Special	2,529,338		471,143	3,000,481
Vocational	295,800			295,800
Other	1,461,349			1,461,349
Support services:				
Pupils	1,287,783		228,010	1,515,793
Instructional Staff	571,590		49,760	621,350
Board of Education	43,774			43,774
Administration	2,247,150	24,477	50,777	2,322,404
Fiscal	520,606		13,271	533,877
Operation and Maintenance of Plant	2,847,869		359,118	3,206,987
Pupil Transportation	1,674,737		195,786	1,870,523
Central	73,809		29,555	103,364
Non-Instructional Services			1,616,831	1,616,831
Extracurricular activities	667,314		358,574	1,025,888
Debt Service				
Principal Retirement	9,553	1,325,000		1,334,553
Interest and Fiscal Charges		701,010		701,010
<i>Total Expenditures</i>	<u>26,762,792</u>	<u>2,050,487</u>	<u>4,419,745</u>	<u>33,233,024</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,124,834</u>	<u>(1,443)</u>	<u>39,135</u>	<u>1,162,526</u>
Other Financing Sources (Uses)				
Transfers In	497		156,563	157,060
Proceeds from Sale of Fixed Assets	924			924
Refund of Prior Year Expenditures	138,197			138,197
Transfers Out	(156,563)		(497)	(157,060)
Refund of Prior Year Receipts			(572)	(572)
<i>Total Other Financing Sources (Uses)</i>	<u>(16,945)</u>		<u>155,494</u>	<u>138,549</u>
<i>Net Change in Fund Balance</i>	1,107,889	(1,443)	194,629	1,301,075
<i>Fund Balances at Beginning of Year (Restated Note 3)</i>	(1,299,576)	2,513,494	620,972	1,834,890
<i>Fund Balances at End of Year</i>	<u>\$ (191,687)</u>	<u>\$ 2,512,051</u>	<u>\$ 815,601</u>	<u>\$ 3,135,965</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$ 1,301,075

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	678,743	
Depreciation	<u>(922,360)</u>	(243,617)

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

Property Taxes	615,143	
Intergovernmental	<u>375,300</u>	990,443

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

Bond Payments		1,325,000
Capital Lease Payments		9,553

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(76,890)	
Compensated Absences Payable	<u>604,095</u>	527,205

<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ 3,909,659</u></u>
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**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Comparison (Non-GAAP Basis)**

General Fund

For the Fiscal Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Property and Other Local Taxes	\$ 19,400,000	\$ 19,400,000	\$ 19,400,365	\$ 365
Intergovernmental	7,625,600	7,625,600	7,839,900	214,300
Interest	190,000	190,000	126,241	(63,759)
Tuition and Fees	472,200	472,200	508,729	36,529
Rent	25,000	25,000	54,842	29,842
Gifts and Donations	2,000	2,000	20,880	18,880
Customer Sales and Services	20,000	20,000	7,837	(12,163)
Payments in Lieu of Taxes	11,000	11,000	12,229	1,229
Miscellaneous	205,000	205,000	262,001	57,001
<i>Total Revenues</i>	<u>27,950,800</u>	<u>27,950,800</u>	<u>28,233,024</u>	<u>282,224</u>
Expenditures				
Current:				
Instruction:				
Regular	14,252,925	14,344,793	13,571,284	773,509
Special	2,851,015	2,851,015	2,857,175	(6,160)
Vocational	366,785	366,785	336,168	30,617
Other	1,112,078	1,112,078	1,476,685	(364,607)
Support Services:				
Pupils	1,362,859	1,362,859	1,389,176	(26,317)
Instructional Staff	651,604	653,604	620,929	32,675
Board of Education	34,525	34,525	43,807	(9,282)
Administration	2,512,559	2,514,659	2,328,609	186,050
Fiscal	558,857	558,857	523,092	35,765
Operation and Maintenance of Plant	2,885,267	2,885,267	2,809,544	75,723
Pupil Transportation	1,623,767	1,623,767	1,693,433	(69,666)
Central	71,293	71,293	73,055	(1,762)
Extracurricular Activities	657,120	661,180	722,279	(61,099)
<i>Total Expenditures</i>	<u>28,940,654</u>	<u>29,040,682</u>	<u>28,445,236</u>	<u>595,446</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(989,854)</u>	<u>(1,089,882)</u>	<u>(212,212)</u>	<u>877,670</u>
Other Financing Sources and (Uses)				
Transfers In		1,376,485	1,204,832	(171,653)
Proceeds from Sale of Fixed Assets	500	500	924	424
Refund of Prior Year Expenditures	3,200	3,200	138,197	134,997
Transfers Out		(1,308,600)	(1,360,898)	(52,298)
<i>Total Other Financing Sources and (Uses)</i>	<u>3,700</u>	<u>71,585</u>	<u>(16,945)</u>	<u>(88,530)</u>
<i>Net Change in Fund Balances</i>	(986,154)	(1,018,297)	(229,157)	789,140
<i>Fund Balance (Deficit) at Beginning of Year</i>	757,345	757,345	757,345	
Prior Year Encumbrances Appropriated	260,952	260,952	260,952	
<i>Fund Balance at End of Year</i>	<u>\$ 32,143</u>	<u>\$ -</u>	<u>\$ 789,140</u>	<u>\$ 789,140</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003**

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 36,945	\$ 73,330
	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>36,945</u>	<u>\$ 73,330</u>
	<u> </u>	<u> </u>
Liabilities		
Current Liabilities:		
Undistributed Monies		\$ 73,330
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u> </u>	<u>\$ 73,330</u>
	<u> </u>	<u> </u>
Net Assets		
Held in Trust for Scholarships	36,945	
	<u> </u>	<u> </u>
<i>Total Net Assets</i>	<u>\$ 36,945</u>	<u> </u>
	<u> </u>	<u> </u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003**

	<u>Private Purpose Trust</u>
Additions	
Interest	\$ 2,162
Gifts and Donations	525
Deductions	
Payments in Accordance with Trust Agreement	<u>(1,500)</u>
<i>Change in Net Assets</i>	1,187
<i>Net Assets at Beginning of Year</i>	<u>35,758</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 36,945</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Springfield Local School District, Lucas County (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 1881 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 25 square miles. It is located in Lucas County, and includes all of the Village of Holland and portions of the cities of Toledo and Maumee, and Monclova, Spencer, and Springfield Townships. The School District is the 121st largest in the State of Ohio, (among 613 school districts) in terms of enrollment. It is staffed by 141 non-certificated employees and 268 certificated full-time teaching personnel who provide services to 3,641 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one garage.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Springfield Local 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

The following activities are included within the reporting entity:

Parochial Schools – Within the School District boundaries, St. Joan of Arc Elementary, St. Johns High School are operated through the Toledo Catholic Diocese; Westside Montessori is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with three organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Northwest Ohio Computer Association, Penta County Vocational School District, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Springfield Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Basis of Presentation

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

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the School District's governmental activities. Direct

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the 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 and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

Governmental Funds

Governmental funds focus 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 General Fund and the Bond Retirement Debt Service Fund are the School District's only major governmental funds:

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

General Fund - The General Fund 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 general laws of Ohio.

Bond Retirement Fund – The Bond Retirement is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust, which accounts for a program that provides assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

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.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or 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 income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

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, grants, tuition, and student 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, 2003, but which were levied to finance fiscal year 2004 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 been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. (State statute permits temporary appropriation to be effective until no later than October 1 of each year.)

Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed appropriations at the legal level of control.

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations with a fund, or alter object appropriations within functions within a fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriations.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which reallocated, increased or decreased the original appropriated amounts. The Board legally enacted all supplemental appropriations, during fiscal year 2003.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the object level.

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 fund financial statements, encumbrances outstanding at year-end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2003, investments were limited to government securities and STAR Ohio. Government securities are reported at market value.

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, 2003.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$126,241, which includes \$5,629 assigned from other School District funds.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased, except for the food service fund. Inventories in the food service fund consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

J. Capital Assets

General capital assets are those assets not specifically related to 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 on the fund financial statements.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the 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 capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 20 years
Buildings and Buildings	25 - 40 years
Furniture and Fixtures	5 - 20 years
Vehicles	8 years
Equipment	10 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

L. Compensated Absences

The School District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences", in conformity with GASB Statement No. 16. The School District accrues vacation as earned by its employees if the leave is attributable to past service and its probable that the School District will compensated the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

termination payments. These compensated absences are measured using rates in effect at June 30, 2003.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

M. 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, special termination benefits 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 year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

N. 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.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

O. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

P. Interfund Transactions

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2002.

B. Restatement of Fund Balance

The restatements for GASB Statement No. 34 and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

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For the Year Ended June 30, 2003
(Continued)**

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Government Funds</u>	<u>Total Government Activities</u>
Fund Balance June 30, 2002	\$(1,342,500)	\$ 2,513,494	\$ 585,490	\$ 1,756,484
Fund Reclassifications				
Expendable Trust			46,941	46,941
Food Service			(11,459)	(11,459)
Interpretation 6 Adjustments:				
Compensated Absences	42,924			42,924
Adjusted Fund Balance	<u>\$(1,299,576)</u>	<u>\$ 2,513,494</u>	<u>\$ 620,972</u>	1,834,890
GASB 34 Adjustments:				
Capital Assets				16,451,052
Long-Term Liabilities				<u>(15,152,665)</u>
Governmental Activities Net Assets at June 30, 2002				<u>\$ 3,133,277</u>

4. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that

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(Continued)**

portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the result of operations for the year on budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance Major Governmental Fund	<u>General</u>
GAAP Basis	\$ 1,107,889
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2002, Received In Cash FY 2003	950,143
Accrued FY 2003, Not Yet Received in Cash	(604,745)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(3,268,016)
Accrued FY 2003, Not Yet Paid in Cash	1,795,711
Prepaid Items	
Encumbrances Outstanding at Year End (Budget Basis)	(210,139)
Budget Basis	\$ (229,157)

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 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

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(Continued)**

deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds 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; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage,

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(Continued)**

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.

At fiscal year end, the School District had \$5,140 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

At fiscal year end, the carrying amount of the School District's deposits was (\$73,887) and the bank balance was \$30,542. Of the bank balance, \$30,542 was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered 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. The School District's investment in government Securities, which are Category 3 investments, had a carrying amount and fair value of \$2,717,354 at June 30, 2003. The School District's investment in Star Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. The School District's investment in Star Ohio had a carrying amount and fair value of \$1,944,935 at June 30, 2003.

The classification of cash and cash equivalents and investments on the combined 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 classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

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**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,593,542	
Cash on Hand	(5,140)	
STAR Ohio	(1,944,935)	\$ 1,944,935
Government Securities	(2,717,354)	2,717,354
GASB Statement No. 3	<u>\$ (73,887)</u>	<u>\$ 4,662,289</u>

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received 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. Real and public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes for 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes for 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county

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**Notes to the Basic Financial Statements
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(Continued)**

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 Lucas 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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$588,200 in the General Fund, \$68,400 in the Debt Service Fund, and \$27,400 in the Capital Projects Fund. The amount available as an advance at June 30, 2002, was \$887,954 in the General Fund, \$96,147 in the Debt Service Fund, and \$51,766 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Industrial/Commercial			\$ 156,483,840	23.00%
Agricultural/Residential	\$ 574,450,670	89.00%	437,836,180	66.00%
Public Utility	16,713,340	3.00%	17,436,250	3.00%
Tangible Personal	54,717,542	8.00%	55,159,223	8.00%
Total Assessed Value	<u>\$ 645,881,552</u>	<u>100.00%</u>	<u>\$ 666,915,493</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 70.30		\$ 70.30	

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes, accounts (rent and student fees) and intergovernmental. 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 year guarantee of federal funds.

A summary of the principal items of receivables on the Statement of Net Assets follows:

	<u>Amount</u>
Governmental Activities:	
Accounts	\$ 6,324
Taxes	21,256,727
Intergovernmental	387,479
Total Intergovernmental Receivables	\$ 21,650,530

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Balance at 06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/03</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 480,574			\$ 480,574
<i>Total Nondepreciable Capital Assets</i>	<u>480,574</u>			<u>480,574</u>
Depreciable Capital Assets				
Land Improvements	813,396	\$ 141,923		955,319
Buildings and Building Improvements	26,168,855	12,801		26,181,656
Furniture, Fixtures, and Equipment	4,236,178	332,956		4,569,134
Vehicles	2,436,789	191,063		2,627,852
<i>Totals</i>	<u>33,655,218</u>	<u>678,743</u>		<u>34,333,961</u>

(Continued)

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Less Accumulated Depreciation:				
Land Improvements	813,396	28,568		841,964
Buildings and Building Improvements	11,136,596	691,439		11,828,035
Furniture and Fixtures	3,548,322	128,474		3,676,796
Vehicles	2,186,426	73,879		2,260,305
<i>Total Accumulated Depreciation</i>	<u>17,684,740</u>	<u>922,360</u>		<u>18,607,100</u>
Depreciable Capital Assets, Net	<u>15,970,478</u>	<u>(243,617)</u>		<u>15,726,861</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,451,052</u>	<u>\$ (243,617)</u>		<u>\$ 16,207,435</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 906,933
Support Services:	
Administration	117
Operation and Maintenance of Plant	2,788
Pupil Transportation	9,116
Non-Instruction	<u>3,406</u>
Total Depreciation Expense	<u>\$ 922,360</u>

9. RESTRICTED ASSETS

The \$127,901 amount, which is reflected on the statement of net assets and the balance sheet, is restricted for budget stabilization.

10. 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 2003, the School District's insurance coverage was as follows:

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(Continued)**

<u>Type of Coverage</u>	<u>Liability Limit</u>
Buildings and Contents - replacement cost (\$1,000 deductible)	\$ 66,556,372
Crime Insurance	25,000
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	2,000,000
Total per Year	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001, were \$2,009,045, \$2,058,941, and \$1,861,456, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
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**Notes to the Basic Financial Statements
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(Continued)**

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$681,826, \$528,338, and \$482,025, respectively; 53 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

12. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan 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, 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 health care costs in the form of monthly premium.

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

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(Continued)**

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 1 percent covered payroll to Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, 4.5 percent of covered payroll will be allocated to the fund. The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2003.

For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000. There were 108,294 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2003, the allocation rate is 5.83 percent. 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 2003, the minimum pay has been established as \$14,500. 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.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 million.

The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .4164, then adding the surcharge due as of June 30, 2003, as certified to your district by SERS.

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(Continued)**

13. EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. At June 30, 2003, a liability of \$52,331 has been provided in the general fund and special revenue funds for earned, but used vacation leave that will be paid to the employees.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. Sick leave may be accumulated up to a maximum of 240 days for classified personnel, 260 days for administrators, and 240 days for certified personnel. Upon retirement, payment is made for up to 30 percent of accrued, but unused sick leave credit to a maximum of 72 days for classified employees, 75 days for certified employees, and 81.25 days for administrators. Upon retirement, payment is made for up to 31.25 percent of accrued, but unused sick leave credit to a maximum of 81.25 days for administrative employees. At June 30, 2003, a current liability of \$115,207 has been provided in the general fund for earned, but unused sick leave that will be paid to the employees.

The School District has recorded an estimated liability of \$1,886,765 for severance pay and sick leave payable at June 30, 2003, in accordance with GASB No. 16, "Accounting for Compensated Absences". The amount has been recorded in the Government Wide Basic Financial Statements since the liability will not require the use of current expendable available financial resources.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees.

14. CAPITAL LEASES – LESSEE DISCLOSURE

The School District has entered into capitalized leases for 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

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benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

The School District does not have a capitalized lease obligation as of June 30, 2003.

15. LONG-TERM OBLIGATIONS

General Obligation Bonds

Debt Outstanding at June 30, 2003 consisted of the following:

	School Improvement Bonds
General Obligation Bonds	
Principal Outstanding	\$ 11,135,000
Interest Rate	6.125 % to 6.23 %

These bonds are direct obligations of the School District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property of the government.

During the fiscal year ended June 30, 2003, the following changes occurred in the long-term obligations:

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03	Amounts Due in One Year
Government Type Activities:					
School Improvement Bonds	\$ 3,870,000	\$ -	\$ 430,000	\$ 3,440,000	\$ 430,000
School Improvement Bonds	8,340,000		645,000	7,695,000	645,000
Capital Leases	9,553		9,553		
Intergovernmental Payable	192,252	\$ 269,142	192,252	269,142	269,142
Compensated Absences	2,490,860	1,886,765	2,490,860	1,886,765	148,790
Total Government Activities					
Long Term Liabilities	\$ 14,902,665	\$ 2,155,907	\$ 3,767,665	\$ 13,290,907	\$ 1,492,932

General Obligation Bonds – In March 1987, the Springfield Local School District issued voted general obligation bonds for additions and improvements to the school buildings.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

The bonds were issued for a 23-year period with final maturity at December 2010. The bonds will be retired from the debt service fund.

In March 1992, the Springfield Local School District issued voted general obligation bonds for additions and improvements to the school buildings. The bonds were issued for a 23-year period with final maturity at December 2014. The bonds will be retired from the debt service fund

Capital leases were paid from the General Fund and School Net Fund.

Compensated absences will be paid from the fund from which the employee's salaries are paid.

The School District's overall debt margin was \$48,887,394 with an unvoted debt margin of \$666,915 at June 30, 2003.

The scheduled payments of principal and interest requirements on debt outstanding at June 30, 2003, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,075,000	\$ 630,305	\$ 1,705,305
2005	1,075,000	564,301	1,639,301
2006	1,075,000	497,812	1,572,812
2007	1,070,000	431,319	1,501,319
2008	1,070,000	364,981	1,434,981
2009 – 2013	4,490,000	916,917	5,406,917
2014 -2015	1,280,000	70,400	1,350,400
Totals	<u>\$ 11,135,000</u>	<u>\$ 3,476,035</u>	<u>\$ 14,611,035</u>

16. SET-ASIDES

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital acquisition, and budget stabilization during fiscal year 2003.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Cash Balance at June 30, 2002	\$ 33,037		\$ 127,901
Current Year Set Aside Requirement	468,919	\$ 468,919	
Current Year Offset		(937,036)	
Qualifying Expenditures	<u>(721,541)</u>	<u>(518,562)</u>	
Total	<u>\$ (219,585)</u>	<u>\$ (986,679)</u>	<u>\$ 127,901</u>
Amount Carried Forward to Fiscal Year 2004	<u>\$ (219,585)</u>		<u>\$ 127,901</u>
Cash Balance at June 30, 2003			<u>\$ 127,901</u>

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

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood and Williams counties. 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 NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the five counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation of

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

the Board. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502

B. Penta County Career Center

The Penta 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 each of the sixteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta County Joint Vocational School District, Carrie J. Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551.

18. INSURANCE POOL

OSBA Workers' Compensation Group Rating Plan

The School District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

19. SCHOOL FOUNDATION PROGRAM

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

20. INTERFUND TRANSFERS

During the year ended June 30, 2003, the General Fund transferred \$157,160 to Other Non-major Governmental Funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2003
(Continued)**

21. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2003.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

22. SUBSEQUENT EVENT

In March 2004, the voters of the School District approved a .97 mil, twenty year \$9,250,000 bond issue for the purpose of constructing, renovating and otherwise improving School District buildings and facilities.

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**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program		10.550
School Breakfast Program	05-PU 2002&2003	10.553
National School Lunch Program	LLP4 2002&2003	10.555
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Special Education Grants to States (IDEA Part B)	6BSD & 6BSF 2003	84.027
Grants to Local Educational Agencies (ESEA Title I)	C1S1 2002 & 2003	84.010
Title VI		84.151
Safe and Drug-Free Schools Grant	DRS1 2001,2002,2003	84.186
Eisenhower Professional Development	MSS1 2001 & 2002	84.281
Goals 2000		84.276
Innovative Educational Program Strategies	C2S1 2003	84.298
Educational Technology State Grants	TJS1 2003	84.318
Class Size Reduction	CRS1 2001 & 2002	84.340
School Renovation Grants		
Assistive Technology Infusion Project	ATS2, ATS3 2002	84.352A
Improving Teacher Quality State Grants	TRS1 2003	84.367
Total Department of Education		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<i>Passed Through Ohio Department of Mental Retardtion and Developmental Disabilities</i>		
Title XIX Medical Assistance		
Community Alternative Funding System		93.778
Totals		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 30,452	\$ 36,821	\$ 30,452	\$ 36,821
297,051		297,051	
327,503	36,821	327,503	36,821
254,467		199,337	
373,480		293,604	
		26,598	
31,092		31,678	
2,810		20,758	
		15,195	
26,035		16,905	
6,748		5,873	
111,577		51,262	
16,967		13,823	
23,418		3,026	
846,594		678,059	
71,418		71,418	
\$ 1,245,515	\$ 36,821	\$ 1,076,980	\$ 36,821

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
Fiscal Year Ended June 30, 2003**

NOTE A -SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Springfield Local School District
Lucas County
6900 Hall Street
Holland, Ohio 43528-9386

To the Board of Education:

We have audited the financial statements of Springfield Local School District, Lucas County, (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated May 13, 2004, in which we noted the School District adopted Governmental Accounting Standards Board Statement 34. 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.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the School District in a separate letter dated May 13, 2004

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 financial statements and not to provide assurance on the internal control over

financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the School District in a separate letter dated May 13, 2004.

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



Betty Montgomery
Auditor of State

May 13, 2004



**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133***

Springfield Local School District
Lucas County
6900 Hall Street
Holland, Ohio 43528-9386

To the Board of Education:

Compliance

We have audited the compliance of School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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www.auditor.state.oh.us

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated May 13, 2004

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



Betty Montgomery
Auditor of State

May 13, 2004

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Findings
OMB Circular A -133 §.505
June 30, 2003**

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)?	None
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	None
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	None
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	None
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	None
(d)(1)(vii)	Major Programs (list):	<u>Nutrition Cluster</u> CFDA # 10.550 CFDA # 10.553 CFDA # 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2003-001

Reportable Condition

Capital Assets

Testing of the School District's capital assets records disclosed the following deficiencies:

- The Inventories (Fixed Asset) Policy is lacking detail as to the process and procedures needed in the reporting of capital assets.
- The School District does not use the NWOCA Equipment Inventory System (EIS) for the tracking of capital assets and related depreciation. An outside vendor updates the capital assets of the School District. However, these records are not updated on an annual basis. The last update by the outside vendor was June 30, 2001.
- Since that date the School District updates the capital asset balance manually.
- Our testing of additions indicated that acquisitions to the capital assets balance did not meet the capitalization criteria (\$500). Conversely, acquisitions did meet the capitalization criteria and were not included as additions to capital assets.
- The source for the development of the July 1, 2002 beginning balance for Accumulated Depreciation was the outside vendor's Property Inventory and Accounting Cost Records update of June 30, 2001 plus depreciation on FY 2002 additions. However, the accumulated depreciation from the Cost Records by asset category was not considered in determining the net value of the July 1, 2002 School District's capital assets.
- FY 2003 depreciation expense was determined by taking the FY 2001 depreciation plus depreciation on the FY 2002 and FY 2003 additions. No attempt was made to record disposals and the affect on the depreciation expense. In addition, there is no supporting documentation for the depreciation calculations.
- The allocation of depreciation expense charged to a function was determined for the current year additions. The remaining depreciation expense was charged to Regular Instruction.

Failure to employ adequate controls over the processing and recording of capital assets additions, deletions, transfers, and depreciation resulted in adjusting the July 1, 2002 accumulated depreciation. In addition these weaknesses could result in the possible misappropriation of assets going undetected and misrepresentation of the School District's capital assets value on the financial statements. To maintain adequate safeguards over capital assets, and to reduce the risk of misstatement, we recommend the School District:

**FINDING NUMBER 2003-001
(Continued)**

- Perform a review of the current Inventory (Fixed Asset) Policy. The following should be considered: written procedures required to update additions, deletions, useful life and depreciation method and the function to which the asset is assigned.
- Consider implementation of the NWOCA Equipment Inventory System (EIS) to allow for the updating and maintenance of the capital asset records on-line.
- Maintain documentation for changes in capital assets acquisitions, deletions, depreciation and any other corrections. The documentation should be reviewed for accuracy and completeness.
- Review the district's expenditure ledger for possible additions that did not get included in the fixed asset accounting system, and review for items that did get included and should not have been.
- Utilize disposition forms to provide consistency and support in the reporting of capital assets dispositions.
- The Treasurer should post all known additions, deletions, asset category changes, and other corrections identified in the FY 2002 and FY 2003 audits to the fixed asset accounting system.
- An allocation method should be determined for the posting of depreciation expense to the function (i.e. regular, special instruction) that the capital asset serves.

FINDING NUMBER 2003-002

Reportable Condition

Student Activities

Student activity funds consist of programs in which students participate and manage. Successful operation of such programs is dependent upon the formulation of sound policy and effective guidelines. Testing of four student activity fundraising activities disclosed that Sales Project Potential Forms (the Form) were not used. This is consistent with the overall fundraising reporting within the District. Also, not all supporting records pertaining to the student fundraising activities were retained by the Student Activity Advisors (the Advisors).

To strengthen internal controls, provide management with a profit measurement tool, and to prevent errors, irregularities, or misappropriation of assets from occurring and going undetected, we recommend the following per the Auditor of State Student Activity Guidelines:

**FINDING NUMBER 2003-002
(Continued)**

- District management should compare their Student Activity Handbook with the Auditor of State's *Guidelines for Developing Policies for Student Activity Programs*, available at [www.auditor.state.oh.us /Publications/Manuals and Handbooks](http://www.auditor.state.oh.us/Publications/Manuals%20and%20Handbooks). The District should update their handbook if it does not address significant items in the Auditor of State's publication.
- Student activity advisors review the School Districts' Student Activity Handbook and related Board policies addressing the proper accounting and required documentation for student activity funds. Acknowledgment noting review and understanding of such policies from all advisors should be obtained and kept on file each year. This could be turned in with the student activity budgets submitted by advisors before each fiscal year.
- Instructions for proper completion of the Forms should be attached to the Form.
- The Forms should be completed for all student activities. The top portion should be completed, reviewed, and approved prior to commencing the fundraising activity. The Form should be updated with quantity of goods ordered/sold, cost per unit, and proposed sales price. Upon completion of the activity, the bottom portion of the form should be completed with signature and information as to final purchase amount(s), returns, and total amount deposited with the Treasurer. The Advisors should retain all records supporting fundraising activities.
- Management should review and reconcile the student activity financial accounts/records to the completed Forms to ensure completeness of the fundraising activity. If such Forms are determined to be completed in error they should be investigated and corrected

3.FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**Schedule of Prior Audit Findings
OMB Circular A -133 §.315 (b)
June 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-01	Fixed Assets deletions could not be verified.	No	Not corrected. Repeated as Finding Number 2003-001.
2002-02	ORC § 5705.10 Funds had negative fund balances.	No	Partially corrected. Reported in the management letter
2002-03	CFR 7 Part 210.14 Investment earnings not allocated to food program.	Yes	

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**Auditor of State
Betty Montgomery**

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SPRINGFIELD LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 3, 2004**