

SPRINGFIELD LOCAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003





**Auditor of State  
Betty Montgomery**

Board of Education  
Springfield Local School District  
2960 Sanitarium Rd.  
Akron, OH 44312

We have reviewed the Independent Auditor's Report of the Springfield Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

February 11, 2004

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**SPRINGFIELD LOCAL SCHOOL DISTRICT**

*For the Year Ended June 30, 2003  
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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 21, 2003

The Board of Education  
Springfield Local School District  
Akron, Ohio 44312

## INDEPENDENT AUDITOR'S REPORT

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2003, on our consideration of Springfield Local 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.

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 Government Accounting Standards Board Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments*.

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

*Rea & Associates, Inc.*



**Springfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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

***Financial Highlights***

Key Financial Highlights for 2003 are as follows:

- ❑ General Revenues accounted for \$22.8 million in revenue or 84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4.5 million or 16% of total revenues of \$27.3 million.
- ❑ Total program expenses were \$25.8 million, \$24.9 million in Governmental Activities, \$.9 million in Business Type Activities.
- ❑ In total, net assets increased \$1.5 million. Net assets of governmental activities increased \$1.5 million, and net assets of business-type activities increased \$78,966 from 2002.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 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 the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**Springfield Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ❑ **Governmental Activities** - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- ❑ **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District community education programs, food service and uniform school supplies are reported as business activities.

The government-wide financial statements begin on page 13.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the general fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 16.

**Springfield Local School District**  
*Management's Discussion and Analysis*  
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**Proprietary Funds** - The School District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School District uses enterprise funds to account for its food service, uniform supplies, and community education programs. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

The enterprise funds have been combined into a single aggregated presentation in the proprietary fund financial statements. See Note 17 for individual fund information.

The proprietary fund financial statements begin on page 22.

**Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds.

The fiduciary fund financial statements begin on page 25.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27.

**Springfield Local School District**  
*Management's Discussion and Analysis*  
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**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Assets</b>						
Current and Other Assets	\$ 19,161,543	\$ 17,206,608	\$ 110,876	\$ 65,417	\$ 19,272,419	\$ 17,272,025
Capital Assets	3,006,829	2,869,570	77,975	93,411	3,084,804	2,962,981
Total Assets	22,168,372	20,076,178	188,851	158,828	22,357,223	20,235,006
<b>Liabilities</b>						
Long-Term Liabilities	(2,119,568)	(1,848,801)	(13,183)	(3,499)	(2,132,751)	(1,852,300)
Other Liabilities	(15,702,958)	(15,332,388)	(97,709)	(156,366)	(15,800,667)	(15,488,754)
Total Liabilities	(17,822,526)	(17,181,189)	(110,892)	(159,865)	(17,933,418)	(17,341,054)
<b>Net Assets</b>						
Invested in Capital Assets Net of Debt	1,816,477	1,982,388	77,975	93,411	1,894,452	2,075,799
Restricted	912,981	940,658	0	0	912,981	940,658
Unrestricted (Deficit)	1,616,388	(28,057)	(16)	(94,448)	1,616,372	(122,505)
Total Net Assets	<u>\$ 4,345,846</u>	<u>\$ 2,894,989</u>	<u>\$ 77,959</u>	<u>\$ (1,037)</u>	<u>\$ 4,423,805</u>	<u>\$ 2,893,952</u>

Total assets increased by \$2.1 million with governmental assets increasing \$2.1 million and business-type assets increasing \$30,023. An increase of approximately \$122,000 in total capital assets reflects an additional purchases exceeding depreciation. Total liabilities increased by approximately \$593,000 with governmental liabilities comprising most of that amount. This increase was partially due to an increase in accrued wages and benefits.

The net assets of the School District business-type activities increased by approximately \$79,000. This difference is in part a reflection of an increase in student and adult lunch prices. The difference also reflects the transfer of \$45,000 from the general fund.

**Springfield Local School District**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Governmental and Business-Type Activities**

	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services	\$ 2,425,305	\$ 416,132	\$ 2,841,437
Operating Grants	1,176,548	473,671	1,650,219
<i>General Revenue:</i>			
Property Taxes	13,314,143	0	13,314,143
Grants and Entitlements	9,524,223	0	9,524,223
Other	(15,994)	45,096	29,102
<b>Total Revenues</b>	<b>26,424,225</b>	<b>934,899</b>	<b>27,359,124</b>
<b>Program Expenses</b>			
Instruction	15,069,533	0	15,069,533
Support Services	9,068,484	0	9,068,484
Operation of Non-Instructional	22,896	0	22,896
Extracurricular Activities	743,366	0	743,366
Interest and Fiscal Charges	69,089	0	69,089
Enterprise Funds	0	855,903	855,903
<b>Total Expenses</b>	<b>24,973,368</b>	<b>855,903</b>	<b>25,829,271</b>
Increase (Decrease) in Net Assets	\$ 1,450,857	\$ 78,996	\$ 1,529,853

**Springfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$26.4 million and expenditures of \$24.9 million. Comparisons to 2002 have not been made since they are not available.

**(Table 3)**  
**Governmental Activities**

	2003	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 15,069,533	\$ 12,221,282
Support Services:		
Pupil and Instructional Staff	1,973,113	1,910,421
Board of Education, Administration, Fiscal and Business	2,762,298	2,512,215
Operation and Maintenance of Plant and Central	2,848,465	2,848,465
Pupil Transportation	1,484,608	1,484,608
Operation of Non-Instructional	22,896	(1,723)
Extracurricular Activities	743,366	327,158
Interest and Fiscal Charges	69,089	69,089
Total Expenses	\$ 24,973,368	\$ 21,371,515

Instruction and Student Support Services comprise 68% of governmental program expenses. Interest/Fiscal charges were less than 1%. Interest expense was attributable to the outstanding notes, and fiscal expenses include payments to the County Auditors for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 18% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Springfield Local School District students.

**Springfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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**Business-Type Activities**

Business-type activities include our adult/community education programs, the food service operation and the sale of uniform school supplies. These programs had revenues of \$889,899 and expenses of \$855,903 for fiscal year 2003. Food service received a \$45,000 transfer of funds from the general fund to maintain a positive cash balance during the fiscal year.

***General Fund Budgeting Highlights***

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

For the general fund, budget basis revenue was \$22.8 million, under original budget estimates of \$21.7 million. Of this \$1.1 increase, most was attributable to increased tuition and fees.

Final appropriations of \$23.2 million, were \$1.2 million higher than the \$22.0 million in the original budget. The accounting change for open enrollment students increased expenditures by \$1.2 million.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2003, the School District had nearly \$3.1 million invested in land, buildings, equipment. A total of \$3.0 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2003 balances compared with 2002.

**Springfield Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 687,020	\$ 687,020	\$ 0	\$ 0	\$ 687,020	\$ 687,020
Buildings and Improvements	1,230,274	1,328,267	0	0	1,230,274	1,328,267
Furniture and Equipment	1,066,815	764,669	77,975	93,411	1,144,790	858,080
Vehicles	22,720	28,416	0	0	22,720	28,416
Educational Media	0	61,198	0	0	0	61,198
Totals	<u>\$ 3,006,829</u>	<u>\$ 2,869,570</u>	<u>\$ 77,975</u>	<u>\$ 93,411</u>	<u>\$ 3,084,804</u>	<u>\$ 2,962,981</u>

The \$121,823 increase in capital assets was attributable to additional purchases exceeding depreciation expense.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2003, this amounted to \$411,158 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements. For the textbooks, the School District disbursed \$416,413, with the remainder scheduled to be carried forward into the 2004 fiscal year.

**Debt**

At June 30, 2003, the School District had \$839,924 in bonds outstanding with \$50,050 due within one year. During fiscal year 2003, \$47,258 of general obligation bonds were retired. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities 2003	Governmental Activities 2002
Energy Conservation Note: Rate 5.91% Due 12/1/2014	<u>\$ 839,924</u>	<u>\$ 887,182</u>



**Springfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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***Current Issues***

The Springfield Local School District continues to receive strong support from the residents of the school district. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in March, 2000. The Board of Education anticipates submitting a new operating levy to the residents of the district in 2006.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 50% of revenues for governmental activities for the Springfield Local School District in fiscal year 2003.

The District has also been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy will be stretched for six years. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Springfield Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2003. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Springfield Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
*Unaudited*

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***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Donald Gambal, Treasurer of Springfield Local School District, 2960 Sanitarium Road Akron, Ohio 44312.

**Springfield Local School District**

*Statement of Net Assets*

*June 30, 2003*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,427,841	\$ 31,534	\$ 5,459,375
Cash and Cash Equivalents:			
Restricted Cash	107,978	0	107,978
Receivables:			
Taxes	13,196,086	0	13,196,086
Accounts	5,454	0	5,454
Intergovernmental	366,847	42,694	409,541
Prepaid Items	30,444	0	30,444
Inventory	26,893	36,648	63,541
Nondepreciable Capital Assets	687,020	0	687,020
Depreciable Capital Assets (Net)	2,319,809	77,975	2,397,784
<i>Total Assets</i>	<u>22,168,372</u>	<u>188,851</u>	<u>22,357,223</u>
<b>Liabilities</b>			
Accounts Payable	95,702	0	95,702
Accrued Wages and Benefits	2,577,811	59,962	2,637,773
Intergovernmental Payable	715,647	34,655	750,302
Deferred Revenue	12,108,498	0	12,108,498
Claims Payable	205,300	0	205,300
Long Term Liabilities:			
Due Within One Year	126,121	3,092	129,213
Due Within More Than One Year	1,993,447	13,183	2,006,630
<i>Total Liabilities</i>	<u>17,822,526</u>	<u>110,892</u>	<u>17,933,418</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,816,477	77,975	1,894,452
Restricted for:			
Capital Projects	182,064	0	182,064
Debt Service	9,374	0	9,374
Other Purposes	721,543	0	721,543
Unrestricted	1,616,388	(16)	1,616,372
<i>Total Net Assets</i>	<u>\$ 4,345,846</u>	<u>\$ 77,959</u>	<u>\$ 4,423,805</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 10,210,571	\$ 1,877,832	\$ 300,020	\$ 0
Special	3,007,440	0	670,399	0
Vocational	421,280	0	0	0
Other	1,430,242	0	0	0
Support services:				
Pupils	1,403,896	0	36,573	0
Instructional staff	569,217	0	26,119	0
Board of education	411,620	0	3,246	0
Administration	1,626,610	0	82,832	0
Fiscal	623,959	131,265	32,740	0
Business	100,109	0	0	0
Operation and maintenance of plant	2,815,010	0	0	0
Pupil transportation	1,484,608	0	0	0
Central	33,455	0	0	0
Operation of non-instructional services	22,896	0	24,619	0
Extracurricular activities	743,366	416,208	0	0
Interest and fiscal charges	69,089	0	0	0
<i>Total Governmental Activities</i>	<u>24,973,368</u>	<u>2,425,305</u>	<u>1,176,548</u>	<u>0</u>
<b>Business-Type Activities</b>				
Lunchroom	845,245	404,575	473,671	0
Uniform Supplies	10,658	11,557	0	0
<i>Total Business-Type Activities</i>	<u>855,903</u>	<u>416,132</u>	<u>473,671</u>	<u>0</u>
<i>Totals</i>	<u>\$ 25,829,271</u>	<u>\$ 2,841,437</u>	<u>\$ 1,650,219</u>	<u>\$ 0</u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Debt Service  
Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Net Transfers

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (8,032,719)	\$ 0	\$ (8,032,719)
(2,337,041)	0	(2,337,041)
(421,280)	0	(421,280)
(1,430,242)	0	(1,430,242)
(1,367,323)	0	(1,367,323)
(543,098)	0	(543,098)
(408,374)	0	(408,374)
(1,543,778)	0	(1,543,778)
(459,954)	0	(459,954)
(100,109)	0	(100,109)
(2,815,010)	0	(2,815,010)
(1,484,608)	0	(1,484,608)
(33,455)	0	(33,455)
1,723	0	1,723
(327,158)	0	(327,158)
(69,089)	0	(69,089)
<u>(21,371,515)</u>	<u>0</u>	<u>(21,371,515)</u>
0	33,001	33,001
0	899	899
0	33,900	33,900
<u>(21,371,515)</u>	<u>33,900</u>	<u>(21,337,615)</u>
12,861,889	0	12,861,889
102,880	0	102,880
349,374	0	349,374
9,524,223	0	9,524,223
89,715	96	89,811
(60,709)	0	(60,709)
(45,000)	45,000	0
22,822,372	45,096	22,867,468
1,450,857	78,996	1,529,853
2,894,989	(1,037)	2,893,952
<u>\$ 4,345,846</u>	<u>\$ 77,959</u>	<u>\$ 4,423,805</u>

**Springfield Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,996,845	\$ 668,609	\$ 4,665,454
Cash and Cash Equivalents:			
Restricted Cash	107,978	0	107,978
Receivables:			
Taxes	12,763,009	433,077	13,196,086
Accounts	5,454	0	5,454
Interfund	46,679	0	46,679
Intergovernmental	26,162	340,685	366,847
Prepaid Items	30,444	0	30,444
Inventory	26,893	0	26,893
<i>Total Assets</i>	<u>\$ 17,003,464</u>	<u>\$ 1,442,371</u>	<u>\$ 18,445,835</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	84,989	10,713	\$ 95,702
Accrued Wages and Benefits	2,436,048	141,763	2,577,811
Interfund Payable	0	46,679	46,679
Intergovernmental Payable	397,573	27,932	425,505
Deferred Revenue	11,848,263	742,723	12,590,986
<i>Total Liabilities</i>	14,766,873	969,810	15,736,683
<b>Fund Balances</b>			
Fund Balance:			
Reserved for Encumbrances	390,426	166,516	556,942
Reserved for Inventory	26,893	0	26,893
Reserved for Prepaid Items	30,444	0	30,444
Reserved for Tax Revenue Unavailable for Appropriation	914,746	31,039	945,785
Reserved for BWC Refunds	107,978	0	107,978
Unreserved:			
Undesignated, Unreserved Reported in:			
General Fund	766,104	0	766,104
Special Revenue Funds	0	226,113	226,113
Debt Service Fund	0	1,303	1,303
Capital Projects Funds	0	47,590	47,590
<i>Total Fund Balances</i>	<u>2,236,591</u>	<u>472,561</u>	<u>2,709,152</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 17,003,464</u>	<u>\$ 1,442,371</u>	<u>\$ 18,445,835</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2003*

Total Governmental Fund Balances	\$	2,709,152
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		3,006,829
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	340,685	
Delinquent Property Taxes	141,803	482,488
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		557,087
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(839,924)	
Capital Lease Payable	(350,428)	
Compensated Absences	(926,358)	
Early Retirement Incentive	(2,858)	
Intergovernmental Payable	(290,142)	(2,409,710)
Net Assets of Governmental Activities	\$	4,345,846

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 12,793,634	\$ 450,085	\$ 13,243,719
Intergovernmental	9,439,834	1,125,347	10,565,181
Investment income	88,909	806	89,715
Tuition and fees	1,877,832	0	1,877,832
Extracurricular activities	0	416,208	416,208
Rentals	131,265	0	131,265
Gifts and Donations	2,000	0	2,000
Miscellaneous	217,063	2,544	219,607
<i>Total Revenues</i>	24,550,537	1,994,990	26,545,527
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	9,695,768	384,209	10,079,977
Special	2,391,555	652,462	3,044,017
Vocational	415,429	0	415,429
Other	1,380,270	49,972	1,430,242
Support services:			
Pupils	1,355,261	42,257	1,397,518
Instructional staff	481,829	45,639	527,468
Board of education	358,998	2,691	361,689
Administration	1,486,444	95,130	1,581,574
Fiscal	541,869	0	541,869
Business	90,666	0	90,666
Operation and maintenance of plant	2,396,804	0	2,396,804
Pupil transportation	1,460,085	0	1,460,085
Central	32,649	0	32,649
Operation of non-instructional services	0	22,503	22,503
Extracurricular activities	313,260	426,803	740,063
Capital outlay	400,060	502,785	902,845
Debt service:			
Principal retirement	49,572	47,258	96,830
Interest and fiscal charges	18,030	51,059	69,089
<i>Total Expenditures</i>	22,868,549	2,322,768	25,191,317
<i>Excess of Revenues Over (Under) Expenditures</i>	1,681,988	(327,778)	1,354,210
<b>Other Financing Sources (Uses):</b>			
Inception of capital lease	400,000	0	400,000
Proceeds from sales of fixed assets	2,664	0	2,664
Transfers in	0	30,000	30,000
Transfers out	(75,000)	0	(75,000)
<i>Total Financing Sources and (Uses)</i>	327,664	30,000	357,664
<i>Net Change in Fund Balance</i>	2,009,652	(297,778)	1,711,874
<i>Fund balance (deficit) at beginning of year</i>	226,939	770,339	997,278
<i>Fund balance (deficit) at end of year</i>	\$ 2,236,591	\$ 472,561	\$ 2,709,152

See accompanying notes to the basic financial statements.



**Springfield Local School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds	\$	1,711,874
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Fixed Asset Additions	556,612	
Current Year Depreciation	<u>(419,353)</u>	137,259
 The issuance of a long term lease provides current financial resources to governmental funds and is, therefore, not reported as revenue in the statement of activities.		
		(400,000)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	142,871	
Delinquent Property Taxes	<u>70,424</u>	213,295
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal		47,258
 Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Capital Leases	49,572	
Compensated Absences	22,951	
Early Retirement Incentive	9,452	
Pension Obligation	<u>(58,488)</u>	23,487
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(282,316)</u>
Change in Net Assets of Governmental Activities	\$	<u>1,450,857</u>

**Springfield Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2003*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 12,274,946	\$ 11,955,012	\$ 12,245,157	\$ 290,145
Intergovernmental	8,817,711	9,079,658	9,429,408	349,750
Investment Income	77,000	77,000	88,054	11,054
Tuition and Fees	60,000	1,465,600	1,877,832	412,232
Rentals	126,930	126,930	126,930	0
Miscellaneous	341,578	119,578	218,799	99,221
<i>Total Revenues</i>	<u>21,698,165</u>	<u>22,823,778</u>	<u>23,986,180</u>	<u>1,162,402</u>
<b>Expenditures:</b>				
Current:				
Instruction	12,778,240	14,193,267	13,945,067	248,200
Support Services				
Pupils	1,423,805	1,432,305	1,333,174	99,131
Instructional Staff	496,223	487,323	480,226	7,097
Board of Education	491,536	423,341	384,907	38,434
Administration	1,544,595	1,524,300	1,477,758	46,542
Fiscal	604,882	555,267	541,544	13,723
Business	108,000	96,950	90,304	6,646
Operation and Maintenance of Plant	2,569,004	2,617,707	2,479,845	137,862
Pupil Transportation	1,644,997	1,496,697	1,345,090	151,607
Central	66,689	66,689	32,649	34,040
Extracurricular Activities	320,000	391,000	314,590	76,410
Capital Outlay	28,500	900	60	840
<i>Total Expenditures</i>	<u>22,076,471</u>	<u>23,285,746</u>	<u>22,425,214</u>	<u>860,532</u>
Excess of Revenues Over (Under) Expenditures	(378,306)	(461,968)	1,560,966	2,022,934
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	0	0	2,664	2,664
Advances In	0	57,000	57,109	109
Advances Out	(75,000)	(53,226)	(46,679)	6,547
Operating Transfers Out	(10,000)	(75,000)	(75,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(85,000)</u>	<u>(71,226)</u>	<u>(61,906)</u>	<u>9,320</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(463,306)	(533,194)	1,499,060	2,032,254
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,765,758	1,765,758	1,765,758	0
Prior Year Encumbrances Appropriated	378,971	378,971	378,971	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 1,681,423</u>	<u>\$ 1,611,535</u>	<u>\$ 3,643,789</u>	<u>\$ 2,032,254</u>

See accompanying notes to the basic financial statements.

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**Springfield Local School District**

*Statement of Net Assets*

*Proprietary Funds*

*June 30, 2003*

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	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 31,534	\$ 762,387
Intergovernmental Receivable	42,694	0
Inventory	36,648	0
	<u>                    </u>	<u>                    </u>
<i>Total Current Assets</i>	110,876	762,387
Non Current Assets:		
Depreciable Capital Assets (Net)	77,975	0
	<u>                    </u>	<u>                    </u>
<i>Total Assets</i>	188,851	762,387
	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>		
Current Liabilities:		
Accrued Wages and Benefits	59,962	0
Vacations Payable	3,092	0
Intergovernmental Payable	34,655	0
Claims Payable	0	205,300
	<u>                    </u>	<u>                    </u>
<i>Total Current Liabilities</i>	97,709	205,300
Long Term Liabilities:		
Compensated Absences Payable	13,183	0
	<u>                    </u>	<u>                    </u>
<i>Total Liabilities</i>	110,892	205,300
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	77,975	0
Unrestricted	(16)	557,087
	<u>                    </u>	<u>                    </u>
<i>Total Net Assets</i>	\$ 77,959	\$ 557,087
	<u>                    </u>	<u>                    </u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2003*

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Operating Revenues:</b>		
Sales	\$ 416,132	\$ 0
Charges for services	<u>0</u>	<u>1,593,595</u>
<i>Total Operating Revenues</i>	<u>416,132</u>	<u>1,593,595</u>
<b>Operating Expenses:</b>		
Salaries	348,158	0
Fringe benefits	123,731	0
Purchased services	18,156	0
Materials and supplies	350,422	0
Depreciation	15,436	0
Claims	<u>0</u>	<u>1,875,911</u>
<i>Total Operating Expenses</i>	<u>855,903</u>	<u>1,875,911</u>
Operating income (loss)	<u>(439,771)</u>	<u>(282,316)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Federal donated commodities	96,871	0
Operating grants	376,800	0
Interest	<u>96</u>	<u>0</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>473,767</u>	<u>0</u>
<i>Income (Loss) Before Operating Transfers</i>	33,996	(282,316)
Transfers in	<u>45,000</u>	<u>0</u>
<i>Change in Net Assets</i>	78,996	(282,316)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>(1,037)</u>	<u>839,403</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$ 77,959</u>	<u>\$ 557,087</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2003

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities:</b>		
Cash Received from Customers	\$ 416,132	\$ 0
Cash Received from Quasi-External Transactions with Other Funds	0	1,593,595
Other Cash Receipts	0	0
Cash Paid for Goods and Services	(304,815)	0
Cash Paid to Employees	(458,790)	0
Cash Paid for Claims	0	(1,857,111)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(347,473)</u>	<u>(263,516)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Transfers from Other Funds	45,000	0
Advances to Other Funds	(40,000)	0
Operating Grants Received	334,106	0
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	<u>339,106</u>	<u>0</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on Investments	96	0
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>96</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(8,271)	(263,516)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>39,805</u>	<u>1,025,903</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 31,534</u>	<u>\$ 762,387</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>		
Operating Income (Loss)	\$ (439,771)	\$ (282,316)
Adjustments:		
Depreciation	15,436	0
Federal Donated Commodities	96,871	0
(Increase) Decrease Assets		
Inventory	(11,036)	0
Increase (Decrease) in Liabilities		
Accrued Wages and Benefits	14,177	0
Compensated Absences Payable	2,639	0
Due to Other Governments	(218)	0
Deferred Revenue	(22,072)	0
Early Retirement Incentive	(3,499)	0
Claims Payable	0	18,800
<i>Total Adjustments</i>	<u>92,298</u>	<u>18,800</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (347,473)</u>	<u>\$ (263,516)</u>

See accompanying notes to the basic financial statements.

**Springfield Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2003*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 35,605</u>
<b>Liabilities</b>	
Undistributed Monies	<u>\$ 35,605</u>
<i>Total Liabilities</i>	<u>\$ 35,605</u>

See accompanying notes to the basic financial statements.

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**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 1 - Description of The School District**

Springfield Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. Each member is elected to a four year term. The Board of Education controls the School District's seven instructional support facilities staffed by 148 classified employees, 215 certified full-time teaching personnel and 14 administrators who provide services to 2,950 students and other community members.

The School District is located in both Summit and Portage counties in northeastern Ohio. The District operates one kindergarten center, three elementary schools (1-4), an intermediate (5-6), one middle school (7-8) and a high school (9-12).

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements of the School District 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 their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The Township of Springfield, which operates within the School District's boundaries for the benefit of its residents is excluded from the accompanying financial statements.

The School District participates in one jointly governed organization, the Northeastern Ohio Network (NEONET), which is presented in Note 23 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

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**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the three business-type activities of the School District. Direct 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

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

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. The following are the School District's proprietary fund types:

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee prescription drug benefits.

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

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

**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.

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**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8.) 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 modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**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 also been reported as deferred revenue.

**Expenses/Expenditures** 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 in the operating statement as an expense with a like amount reported as donated commodities revenue.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2003, investments were limited to STAROhio, (the State Treasurer's Investment Pool), and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2003. Repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$88,909, which includes \$17,078 assigned from other School District funds.

Investments of the cash management pool and investments with a 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 original maturity of more than three months that are not made from the pool are reported as investments.

***F. 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 the purchase and an expenditure/expense is reported in the year in which services are consumed.

***G. 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.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
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On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the enterprise fund are expensed when used.

***H. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and to create a reserve for budget stabilization. See Note 24 for additional information regarding set asides.

***I. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements 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 twenty-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.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land	N/A	N/A
Buildings and Improvements	10 - 40 Years	N/A
Furniture and Fixtures	5 - 20 Years	20 Years
Vehicles	13 Years	N/A
Textbooks	5 Years	N/A

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
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***J. 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 and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***K. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***M. 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 first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
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***N. Fund Balance Reserves***

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

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

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for adult education classes, sales for food service and uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

***P. Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

***Q. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***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 Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.



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*Notes to the Basic Financial Statements*  
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**S. Estimates**

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

**T. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

**Tax Budget** Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

**Estimated Resources** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

**Appropriations** A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**Encumbrances** 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 are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

**Lapsing of Appropriations** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

**Note 3 – Change in Accounting Principle and Restatement of Fund Balances/Net Assets**

**Changes in Accounting Principles** For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 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 business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

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.

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*Notes to the Basic Financial Statements*  
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**Restatement of Fund Balance** The following describes the transition from governmental fund balance to net assets of the governmental activities.

	General	Nonmajor	Total
Fund Balances, June 30, 2002	\$ 417,705	\$ 770,339	\$ 1,188,044
Insurance Accrual Adjustment	(190,766)	0	(190,766)
Restated Fund Balances, June 30, 2002	\$ 226,939	\$ 770,339	\$ 997,278
GASB 34 Adjustments:			
Capital Assets			2,869,570
Compensated Absences			(949,309)
Internal Service Fund			839,403
Pension Obligations			(231,654)
Long-Term (Deferred) Assets			269,193
Long-Term Liabilities			(899,492)
Governmental Activities Net Assets, June 30, 2002			\$ 2,894,989

A valuation of the capital assets was performed which resulted in an increase in the beginning balance of the food service equipment from \$8,033 to \$93,411.

During the fiscal year 2003 the District began accruing insurance costs as of the end of their year. The July 1, 2002 food service fund balances have been decreased by \$7,345 to adjust for the June 30, 2002 insurance costs.

**Note 4 – Fund Deficits**

Fund balances at June 30, 2003 included the following individual fund deficits:

	Deficit
Nonmajor Governmental Funds:	
Eisenhower	\$ 12
Title VI-B	76,397
Drug Free Grant	6,594
Preschool Handicapped	90

The deficits in the nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 5 – Net Assets Restricted for Other Purposes**

Net assets restricted for other purposes consisted of the following:

	<u>June 30, 2003</u>
General Fund Reserve for BWC Refunds	\$ 107,978
Nonmajor Governmental Special Revenue Funds	<u>613,565</u>
	<u>\$ 721,543</u>

**Note 6 - Budgetary Basis of Accounting**

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

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

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ 2,009,652
Net Adjustment for Revenue Accruals	(564,357)
Advance In	57,109
Advance Out	(46,679)
Net Adjustment for Expenditure Accruals	518,751
Adjustment for Encumbrances	<u>(475,416)</u>
Budget Basis	<u><u>\$ 1,499,060</u></u>

**Note 7 - 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 that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**Cash on Hand** At year end, the School District had \$5,350 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.

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

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**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
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**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$(164,787) and the bank balance was \$1,333. Of the bank balance:

1. \$1,333 of the bank balance was covered by depository insurance; and
2. None was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** GASB Statement No. 3 requires the School District's investments to be 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 or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which 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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$ 980,000	\$ 980,000	\$ 980,000
STAROhio		4,782,395	4,782,395
Totals		\$ 5,762,395	\$ 5,762,395

**Note 8 – Property Taxes**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value. The assessed values upon which the fiscal year 2003 taxes were collected are:

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	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 338,940,550	82.54%
Public Utility Personal	8,661,880	2.11%
Tangible Personal Property	63,047,366	15.35%
	\$ 410,649,796	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	\$ 48.54	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, with the remainder payable by September 20.

The Summit County Treasurer collects property tax on behalf of all taxing districts within the county. The County Auditor periodically advances to the District their portion of the taxes collected. The amount available to the District as an advance at June 30, 2003 is available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available and measurable are recorded as revenue. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount measurable and available to the District at June 30, 2003, was \$945,785.

**Note 9 - Interfund Transfers**

Transfers made during fiscal year 2003 were \$30,000 to the athletic/district managed fund, and \$45,000 to the food service fund from the general fund. These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.



**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 10 - Interfund Balances**

On the fund financial statements, the general fund reported an interfund receivable at June 30, 2003 of \$46,679. The Title VI fund had an interfund payable of \$3,937, the drug free grant fund had \$11,192, the improving teacher quality grant had \$23,938, and the miscellaneous federal grants fund had an interfund payable of \$7,612.

**Note 11 – Receivables**

Receivables at June 30, 2003 consisted of taxes, accounts (rent and student fees), interest, and intergovernmental entitlements and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<i>General Fund</i>	\$ 26,162
<i>Nonmajor Governmental Funds</i>	
IDEA	85,668
Title I	146,099
Title VI-A	11,193
Title II-A	90,113
Title II-D	7,612
	<u>340,685</u>
<i>Food Service Enterprise Fund</i>	<u>42,694</u>
Total Intergovernmental Receivables	<u><u>\$ 409,541</u></u>

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 12 - Capital Assets**

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

	Balance 6/30/02	Additions	Reductions	Balance 6/30/03
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 687,020	\$ 0	\$ 0	\$ 687,020
<i>Capital Assets, being depreciated:</i>				
Land Improvements	812,306	7,189	0	819,495
Buildings and Improvements	10,017,940	0	0	10,017,940
Furniture and Equipment	1,568,238	549,423	0	2,117,661
Vehicles	322,924	0	0	322,924
Educational Media	734,372	0	0	734,372
Total Capital Assets, being depreciated	13,455,780	556,612	0	14,012,392
Less Accumulated Depreciation:				
Land Improvements	(769,448)	(2,693)	0	(772,141)
Buildings and Improvements	(8,732,531)	(102,489)	0	(8,835,020)
Furniture and Equipment	(803,569)	(247,277)	0	(1,050,846)
Vehicles	(294,508)	(5,696)	0	(300,204)
Textbooks	(673,174)	(61,198)	0	(734,372)
Total Accumulated Depreciation	(11,273,230)	(419,353)	0	(11,692,583)
Total Capital Assets being depreciated, net	2,182,550	137,259	0	2,319,809
Governmental Activities Capital Assets, Net	<u>\$ 2,869,570</u>	<u>\$ 137,259</u>	<u>\$ 0</u>	<u>\$ 3,006,829</u>
<b>Business-Type Activities</b>				
<i>Capital Assets being depreciated</i>				
Furniture and Equipment	\$ 330,085	\$ 0	\$ 0	\$ 330,085
Less Accumulated Depreciation	(236,674)	(15,436)	0	(252,110)
Business-Type Activities Capital Assets, Net	<u>\$ 93,411</u>	<u>\$ (15,436)</u>	<u>\$ 0</u>	<u>\$ 77,975</u>

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$	238,888
Special		327
Support Services:		
Pupil		3,570
Instructional Staff		46,053
Board of Education		49,931
Administration		2,260
Fiscal		62,985
Business		327
Operation and Maintenance of Plant		393
Pupil Transportaion		7,826
Central		806
Extracurricular Activities		5,987
		<hr/>
Total Depreciation	\$	<u>419,353</u>

**Note 13 – Risk Management**

The District insures it buildings and their contents through insurance having a \$2,500 deductible and providing replacement cost for such items. An inventory of all loose equipment is conducted annually.

Appropriate liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 aggregate. The District also has an excess policy in the amount of \$2,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

A bond of \$20,000 is maintained on the Treasurer. Bonds are also provided for the school board president and superintendent in the amount of \$20,000 each.

By State statute, Bond is provided by all contractors in amounts sufficient to cover the entire bid amount awarded to the contractor.

The District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2003, a total expense of \$1,493,170 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$205,300 reported in the fund at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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Changes in the fund's claims liability amount in 2002 and 2003 were:

		<u>Balance</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2002	\$	183,000	\$ 1,493,170	\$ 1,489,670	\$ 186,500
2003	\$	186,500	\$ 1,875,911	\$ 1,857,111	\$ 205,300

**Note 14 – Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service and hours worked. Vacation days are credited to non-certified employees on the anniversary of their employment and must be used within the next twelve months. Vacation may be carried forward beyond the twelve month period only with the approval of the superintendent. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited number of days. Payment is made of one-fourth of the total sick leave accumulation, up to a maximum accumulation of 180 days upon retirement for certified employees or upon termination with 10 years of service for non-certified employees.

**Note 15- Pension Plans**

***A. School Employees Retirement System***

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% 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% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$574,104, \$517,932, and \$375,678, respectively; 44% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$324,084 represents the unpaid contribution for fiscal year 2003, and is recorded as a liability within the respective funds.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 select the DC or Combined Plan. Existing members 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% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,608,344, \$1,434,024, and \$1,381,200, respectively; 84% has been contributed for fiscal year 2003 and 100% for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$1,218 made by the School District and \$4,381 made by the plan members. \$259,600 represents the unpaid contribution for fiscal year 2003, and is recorded as a liability within the respective funds.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**C. Social Security System**

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

**Note 16 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$105,699 during the 2003 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, the health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2003, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$379,907.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS had approximately 50,000 participants currently receiving health care benefits.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 17 – Segment Information for Enterprise Funds**

The District maintains three enterprise funds: the lunchroom, uniform school supply and community education operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the Springfield Local School District for the year ended June 30, 2003:

	<u>Lunchroom</u>	<u>Uniform School Supply</u>	<u>Community Education</u>	<u>Total</u>
Operating Revenues	\$ 404,575	\$ 11,557	\$ 0	\$ 416,132
Operating Expenses Before Depreciation	829,809	10,658	0	840,467
Depreciation	<u>15,436</u>	<u>0</u>	<u>0</u>	<u>15,436</u>
Operating Income (Loss)	(440,670)	899	0	(439,771)
Non-Operating Revenue	473,767	0	0	473,767
Transfers In	<u>45,000</u>	<u>0</u>	<u>0</u>	<u>45,000</u>
Net Income (Loss)	<u>\$ 78,097</u>	<u>\$ 899</u>	<u>\$ 0</u>	<u>\$ 78,996</u>
Net Working Capital	\$ 7,563	\$ 4,430	\$ 1,174	\$ 13,167
Total Assets	\$ 183,247	\$ 4,430	\$ 1,174	\$ 188,851
Total Net Assets	\$ 72,355	\$ 4,430	\$ 1,174	\$ 77,959

**Note 18 – Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

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

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 19 - Long - Term Obligations**

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

	Outstanding 6/30/02	Additions	Reductions	Outstanding 6/30/03	Amounts Due in One Year
<b>Governmental Activities:</b>					
Energy Conservation Note					
Interest Rate 5.91%					
Due 12/1/2014	\$ 887,182	\$ 0	\$ 47,258	\$ 839,924	\$ 50,050
Capital Lease	0	400,000	49,572	350,428	51,904
Compensated Absences	949,309	100,262	123,213	926,358	21,309
Early Retirement Incentive	12,310	2,858	12,310	2,858	2,858
	<u>1,848,801</u>	<u>503,120</u>	<u>232,353</u>	<u>2,119,568</u>	<u>126,121</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,848,801</u>	<u>\$ 503,120</u>	<u>\$ 232,353</u>	<u>\$ 2,119,568</u>	<u>\$ 126,121</u>
<b>Business-Type Activities</b>					
Compensated Absences	<u>\$ 13,636</u>	<u>\$ 5,731</u>	<u>\$ 3,092</u>	<u>\$ 16,275</u>	<u>\$ 3,092</u>

In 1999, the School District received \$955,578 for energy conservation capital improvements. The note matures in December 2014.

In 2003, the District entered into a \$400,000 lease for a telephone system. The lease continues until October 2009.

The energy conservation note will be paid from the debt service fund. The lease will be paid from the general fund. The early retirement incentive will be paid from the general fund and the compensated absences will be paid from from the general fund and Title VI-B, Title I, Title VI-R nonmajor governmental funds, and the food service enterprise fund.



**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2003 are as follows:

Fiscal Year Ending June 30,	Energy Conservation Note
2004	\$ 99,690
2005	99,690
2006	99,690
2007	99,690
2008	99,690
2009-2013	498,450
2014-2015	199,380
Total Principal and Interest	1,196,280
Less Interest	356,356
Total Principal Outstanding	\$ 839,924

The notes are backed by the full faith and credit of the Springfield Local School District.

**Note 20 – Capitalized Leases**

Capital lease obligations relate to telephone equipment is leased under long-term agreements. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Year	Amount
2004	\$ 67,602
2005	67,602
2006	67,602
2007	67,602
2008	67,602
2009	67,602
Total Minimum Lease Payments	405,612
Less Amount Representing Interest	55,184
Present Value of Minimum Lease Payments	\$ 350,428

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 21 – Deferred Revenue**

Deferred revenue at 6/30/03 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 12,108,498	\$ 12,250,301
Grants Receivable	0	340,685
Deferred Revenue	\$ 12,108,498	\$ 12,590,986

**Note 22 - Contracts**

The District has renewed their transportation contract with Laidlaw Transit, Inc. The company furnishes bus transportation service for students attending the facilities and all other children for whom the District has an obligation to provide transportation in accordance with all applicable rules and regulations set forth by the Ohio Department of Education, the Ohio Revised Code and the Ohio Administrative Code. The company provides transportation services by utilizing the District buses and company buses. As District buses are required to be replaced, the company replaces them with company buses. The District is charged a rate based per trip and whether a District or company bus is utilized. The contract is in effect until July 31, 2005. The contract can be renewed for one additional three year term upon the mutual consent and negotiation of the company and District.

**Note 23 – Northeastern Ohio Network**

The Northeastern Ohio Network (NEONET) is a jointly governed organization comprised of 17 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2003, the District paid approximately \$32,649 to NEONET for basic service charges.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 24 – Statutory Reserves**

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

Effective April 10, 2001, Senate Bill 345, eliminated the requirement that the School Districts' establish and maintain a budget stabilization reserve. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, or returned to the General fund and used at the discretion of the of the District's Board of Education.

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

	BWC Refund	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Set-Aside Cash Balance as of June 30, 2002	\$ 107,978	\$ 0	\$ 0	\$ 107,978
Set-Aside Carryover Balance as of June 30, 2002	0	0	0	0
Current Year Set-Aside Requirement	0	411,158	411,158	822,316
Qualifying Disbursements	<u>0</u>	<u>(545,032)</u>	<u>(416,413)</u>	<u>(961,445)</u>
 Total	 <u>\$ 107,978</u>	 <u>\$ (133,874)</u>	 <u>\$ (5,255)</u>	 <u>\$ (31,151)</u>
 Cash Balance Carried Forward FY 2004	 <u>\$ 107,978</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 107,978</u>
 Amount to Restrict for Set-Asides				 <u>\$ 107,978</u>
 Total Restricted Assets				 <u>\$ 107,978</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the other set-asides. The total reserve balance for the set-asides at the end of the fiscal year was \$107,978.

**Springfield Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 25 – State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “the Ohio General Assembly to enact a school funding scheme that is thorough and efficient”.

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.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 21, 2003

The Board of Education  
Springfield Local School District  
Akron, Ohio 44312

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springfield Local School District as of and for the year then ended June 30, 2003, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 21, 2003. 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 Springfield Local School District's basic 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*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Springfield Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Springfield Local School District in a separate letter dated October 21, 2003.

This report is intended solely for the information and use of the Board of Education, management, 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.

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 21, 2003

The Board of Education  
Springfield Local School District  
Akron, Ohio 44312

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

### **Compliance**

We have audited the compliance of Springfield Local School District with the type 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. Springfield Local School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Springfield Local School District's management. Our responsibility is to express an opinion on Springfield Local School District's compliance based on our audit.

We conducted our audit of compliance with those requirements 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 material noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Springfield Local 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 Springfield Local School District's compliance with those requirements.

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

**Internal Control over Compliance**

The management of Springfield Local 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 Springfield Local 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.

**Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springfield Local School District as of and for the year then ended June 30, 2003, and have issued our report thereon dated October 21, 2003. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management 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.

*Rea & Associates, Inc.*

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Program Amount	Federal Receipts	Federal Disbursements	Non-Cash Transactions
<b>U. S. Department of Education</b> (Passed Through State Department of Education):						
Title 1 Delinquent	84.010	C1-SD-00	\$ 23,693	\$ 0	\$ 31,039	\$ 0
Title 1	84.010	C1-S1-00	340,129	0	81	0
Title 1	84.010	C1-S1-01	340,129	0	3,567	0
Title 1	84.010	C1-S1-02	388,134	149,761	183,896	0
Title 1	84.010	C1-S1-03	442,368	296,270	236,868	0
<i>Total Title 1</i>				<u>446,031</u>	<u>455,451</u>	<u>0</u>
IDEA Part B	84.027	6B-SF-02P	303,462	1,440	20,634	0
IDEA Part B	84.027	6B-SF-03P	372,842	287,174	281,069	0
Preschool Grant	84.173	PG-S1-03P	17,499	0	17,178	0
Preschool Grant	84.173	PG-S1-03P	17,474	17,474	17,474	0
<i>Total Special Education Cluster</i>				<u>306,088</u>	<u>336,355</u>	<u>0</u>
Title V	84.298	C2-S1-01	18,876	0	438	0
Title V	84.298	C2-S1-02	18,662	0	911	0
Title V	84.298	C2-S1-03	19,376	18,651	17,025	0
<i>Total Title V</i>				<u>18,651</u>	<u>18,374</u>	<u>0</u>
Title II-A	84.340	CR-S1-01	59,883	0	1,004	0
Title II-A	84.340	CR-S1-02	87,790	0	20,551	0
Title II-A	84.367	TR-S1-03	164,359	67,809	49,170	0
<i>Total Title II-A</i>				<u>67,809</u>	<u>70,725</u>	<u>0</u>
Title IV-A	84.186	DR-S1-01	13,605	0	1,322	0
Title IV-A	84.186	DR-S1-02	12,061	0	3,434	0
Title IV-A	84.186	DR-S1-03	17,401	5,498	12,101	0
<i>Total IV-A</i>				<u>5,498</u>	<u>16,857</u>	<u>0</u>
Eisenhower Professional Develop	84.281	MS-S1-01	12,498	0	606	0
Eisenhower Professional Develop	84.281	MS-S1-02	16,849	0	3,795	0
<i>Total Eisenhower Prof. Develop.</i>				<u>0</u>	<u>4,401</u>	<u>0</u>
Title II-D	84.303A	R303A50380-99	17,881	0	0	0
Title II-D	84.303A	R303A50380-02	9,000	0	0	0
Title II-D	84.318	TJ-S1-03	10,680	3,068	2,000	0
<i>Total Title II-D</i>				<u>3,068</u>	<u>2,000</u>	<u>0</u>
Goals 2000	84.276	G2-S2-00	27,000	0	10,925	0
<i>Total Goals 2000</i>				<u>0</u>	<u>10,925</u>	<u>0</u>
<b>Total U.S. Department of Education</b>				<u>847,145</u>	<u>915,088</u>	<u>0</u>
<b>U. S. Department of Agriculture</b> (Passed Through State Department of Education):						
<i>Nutrition Cluster</i>						
Food Distribution Program (A) (B)	10.550			96,871	0	118,943
National School Breakfast Program	10.553			43,261	43,261	0
National School Lunch Program	10.555			273,753	273,753	0
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>				<u>413,885</u>	<u>317,014</u>	<u>118,943</u>
<b>U. S. Health and Human Services</b> (Passed Through Ohio Dept. of MRDD):						
Medical Assistance Program/CAFS	93.778			224,492	224,492	0
<b>Total U. S. Health and Human Services</b>				<u>224,492</u>	<u>224,492</u>	<u>0</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u>\$ 1,485,522</u>	<u>\$ 1,456,594</u>	<u>\$ 118,943</u>

(A) Federal money commingled with state subsidy reimbursements. It is assumed the money was spent on a first-in, first-out basis.  
(B) Represents market value less cost.



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .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)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I, CFDA 84.010
(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**





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
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800-282-0370

Facsimile 614-466-4490

**SPRINGFIELD LOCAL SCHOOL DISTRICT**

**SUMMIT 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  
MARCH 4, 2004**