



**Auditor of State  
Betty Montgomery**



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

Springfield Local School District  
Mahoning County  
11335 Youngstown-Pittsburgh Rd.  
P.O. Box 549  
New Middleton, OH 44442

We have audited the accompanying general-purpose financial statements of the Springfield Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Springfield Local School District, Mahoning County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 February 6, 2004 on our consideration of the 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.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 6, 2004

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**SPRINGFIELD LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 862,891	\$ 107,299	\$ 647,651	\$ 58,743
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent . . . . .	4,249,506	-	416,289	118,940
Accounts. . . . .	2,877	-	-	-
Accrued interest . . . . .	59	-	-	-
Due from other governments . . . . .	-	45,201	-	-
Interfund loans receivable. . . . .	8,658	-	-	-
Materials and supplies inventory . . . . .	-	-	-	-
Prepayments . . . . .	30,631	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents. . . . .	82,399	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits. . . . .</b>	<b><u>\$ 5,237,021</u></b>	<b><u>\$ 152,500</u></b>	<b><u>\$ 1,063,940</u></b>	<b><u>\$ 177,683</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ -	\$ 3,466	\$ -	\$ -
Contracts payable . . . . .	3,598	-	-	29,646
Accrued wages and benefits . . . . .	815,522	15,988	-	-
Compensated absences payable . . . . .	75,697	-	-	-
Interfund loans payable . . . . .	-	8,658	-	-
Due to other governments . . . . .	38,883	1,053	-	-
Due to students . . . . .	-	-	-	-
Pension obligation payable . . . . .	119,310	-	-	-
Obligation under lease-purchase agreement. . . . .	-	-	-	-
General obligation bonds payable. . . . .	-	-	-	-
Early retirement incentive payable . . . . .	-	-	-	-
Deferred revenue . . . . .	3,757,145	38,134	416,289	118,940
<b>Total liabilities . . . . .</b>	<b><u>4,810,155</u></b>	<b><u>67,299</u></b>	<b><u>416,289</u></b>	<b><u>148,586</u></b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Retained earnings: unreserved . . . . .	-	-	-	-
Fund balances (deficits):				
Reserved for encumbrances. . . . .	83,445	16,450	-	39,639
Reserved for prepayments . . . . .	30,631	-	-	-
Reserved for debt service. . . . .	-	-	647,651	-
Reserved for BWC refund . . . . .	57,162	-	-	-
Reserved for school bus purchases . . . . .	25,237	-	-	-
Unreserved-undesignated . . . . .	230,391	68,751	-	(10,542)
<b>Total equity and other credits . . . . .</b>	<b><u>426,866</u></b>	<b><u>85,201</u></b>	<b><u>647,651</u></b>	<b><u>29,097</u></b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b><u>\$ 5,237,021</u></b>	<b><u>\$ 152,500</u></b>	<b><u>\$ 1,063,940</u></b>	<b><u>\$ 177,683</u></b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$ 13,099	\$ 2,388	\$ 20,785	\$ -	\$ -	\$ 1,712,856
-	-	-	-	-	4,784,735
53	-	-	-	-	2,930
-	-	-	-	-	59
21,867	-	-	-	-	67,068
-	-	-	-	-	8,658
17,977	-	-	-	-	17,977
-	-	-	-	-	30,631
-	-	-	-	-	82,399
69,987	-	-	14,271,833	-	14,341,820
-	-	-	-	647,651	647,651
-	-	-	-	3,742,241	3,742,241
<u>\$ 122,983</u>	<u>\$ 2,388</u>	<u>\$ 20,785</u>	<u>\$ 14,271,833</u>	<u>\$ 4,389,892</u>	<u>\$ 25,439,025</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,466
-	-	-	-	-	33,244
24,528	-	-	-	-	856,038
14,787	-	-	-	592,984	683,468
-	-	-	-	-	8,658
1,302	-	-	-	-	41,238
-	-	20,785	-	-	20,785
14,604	-	-	-	53,012	186,926
-	-	-	-	1,148,900	1,148,900
-	-	-	-	2,534,996	2,534,996
-	-	-	-	60,000	60,000
-	-	-	-	-	4,330,508
<u>55,221</u>	<u>-</u>	<u>20,785</u>	<u>-</u>	<u>4,389,892</u>	<u>9,908,227</u>
-	-	-	14,271,833	-	14,271,833
67,762	2,388	-	-	-	70,150
-	-	-	-	-	139,534
-	-	-	-	-	30,631
-	-	-	-	-	647,651
-	-	-	-	-	57,162
-	-	-	-	-	25,237
-	-	-	-	-	288,600
<u>67,762</u>	<u>2,388</u>	<u>-</u>	<u>14,271,833</u>	<u>-</u>	<u>15,530,798</u>
<u>\$ 122,983</u>	<u>\$ 2,388</u>	<u>\$ 20,785</u>	<u>\$ 14,271,833</u>	<u>\$ 4,389,892</u>	<u>\$ 25,439,025</u>

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**SPRINGFIELD LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 3,423,916	\$ -	\$ 352,981	\$ 49,270	\$ 3,826,167
Tuition . . . . .	3,199	-	-	-	3,199
Earnings on investments . . . . .	38,465	-	-	-	38,465
Extracurricular . . . . .	-	175,890	-	-	175,890
Other local revenues . . . . .	72,140	54,903	-	10,000	137,043
Intergovernmental - State . . . . .	4,623,090	78,868	42,774	6,028	4,750,760
Intergovernmental - Federal . . . . .	-	268,858	-	-	268,858
<b>Total revenues . . . . .</b>	<b>8,160,810</b>	<b>578,519</b>	<b>395,755</b>	<b>65,298</b>	<b>9,200,382</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,192,987	75,245	-	36,238	4,304,470
Special . . . . .	445,208	116,356	-	-	561,564
Vocational . . . . .	161,648	-	-	-	161,648
Other . . . . .	-	2,397	-	-	2,397
Support services:					
Pupil . . . . .	229,232	100,391	-	-	329,623
Instructional staff . . . . .	386,548	95,863	-	-	482,411
Board of Education . . . . .	12,020	-	-	-	12,020
Administration . . . . .	1,281,103	3,448	-	-	1,284,551
Fiscal . . . . .	236,353	-	6,535	1,011	243,899
Business . . . . .	660	-	-	-	660
Operations and maintenance . . . . .	823,387	310	-	-	823,697
Pupil transportation . . . . .	472,944	-	-	-	472,944
Central . . . . .	32,713	5,020	-	-	37,733
Community services . . . . .	-	4,727	-	-	4,727
Extracurricular activities . . . . .	193,533	224,441	-	-	417,974
Facilities acquisition and construction . . . . .	249,193	-	-	1,011,777	1,260,970
Intergovernmental pass-through . . . . .	-	4,161	-	-	4,161
Debt service:					
Principal retirement . . . . .	-	-	235,000	-	235,000
Interest and fiscal charges . . . . .	-	-	105,760	-	105,760
<b>Total expenditures . . . . .</b>	<b>8,717,529</b>	<b>632,359</b>	<b>347,295</b>	<b>1,049,026</b>	<b>10,746,209</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(556,719)	(53,840)	48,460	(983,728)	(1,545,827)
Other financing sources (uses):					
Operating transfers out . . . . .	(50,000)	-	-	-	(50,000)
Proceeds from sale of fixed assets . . . . .	715	-	-	15,754	16,469
<b>Total other financing sources (uses) . . . . .</b>	<b>(49,285)</b>	<b>-</b>	<b>-</b>	<b>15,754</b>	<b>(33,531)</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	(606,004)	(53,840)	48,460	(967,974)	(1,579,358)
Fund balances, July 1 . . . . .	1,032,870	139,041	599,191	997,071	2,768,173
Fund balances (deficit), June 30 . . . . .	\$ 426,866	\$ 85,201	\$ 647,651	\$ 29,097	\$ 1,188,815

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SPRINGFIELD LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes . . . . .	\$ 3,426,690	\$ 3,426,690	\$ -	\$ -	\$ -	\$ -
Tuition . . . . .	3,199	3,199	-	-	-	-
Earnings on investments . . . . .	36,577	38,544	1,967	-	-	-
Extracurricular . . . . .	-	-	-	229,068	175,889	(53,179)
Other local revenues . . . . .	41,973	42,856	883	100	53,882	53,782
Intergovernmental - State . . . . .	4,623,090	4,623,090	-	78,868	78,868	-
Intergovernmental - Federal . . . . .	-	-	-	274,159	265,501	(8,658)
Total revenues . . . . .	<u>8,131,529</u>	<u>8,134,379</u>	<u>2,850</u>	<u>582,195</u>	<u>574,140</u>	<u>(8,055)</u>
Expenditures:						
Current:						
Instruction:						
Regular . . . . .	4,477,110	4,084,687	392,423	212,172	71,109	141,063
Special . . . . .	430,702	431,716	(1,014)	125,210	115,274	9,936
Vocational . . . . .	166,882	157,566	9,316	46	-	46
Other . . . . .	851	-	851	6,780	2,387	4,393
Support services:						
Pupil . . . . .	225,677	233,870	(8,193)	98,059	100,391	(2,332)
Instructional staff . . . . .	340,754	375,212	(34,458)	102,604	95,151	7,453
Board of Education . . . . .	14,893	12,020	2,873	-	-	-
Administration . . . . .	1,410,466	1,242,309	168,157	5,138	3,448	1,690
Fiscal . . . . .	240,630	235,449	5,181	-	-	-
Business . . . . .	7,903	660	7,243	-	-	-
Operations and maintenance . . . . .	876,732	848,232	28,500	-	310	(310)
Pupil transportation . . . . .	545,520	462,568	82,952	-	-	-
Central . . . . .	28,571	32,713	(4,142)	6,616	5,000	1,616
Community services . . . . .	-	-	-	7,738	4,728	3,010
Extracurricular activities . . . . .	199,938	192,025	7,913	173,160	232,691	(59,531)
Facilities acquisition and construction . . . . .	387,979	494,927	(106,948)	-	-	-
Intergovernmental pass-through . . . . .	-	-	-	-	4,161	(4,161)
Debt service:						
Principal retirement . . . . .	-	-	-	-	-	-
Interest and fiscal charges . . . . .	-	-	-	-	-	-
Total expenditures . . . . .	<u>9,354,608</u>	<u>8,803,954</u>	<u>550,654</u>	<u>737,523</u>	<u>634,650</u>	<u>102,873</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,223,079)</u>	<u>(669,575)</u>	<u>553,504</u>	<u>(155,328)</u>	<u>(60,510)</u>	<u>94,818</u>
Other financing sources (uses):						
Advances in . . . . .	-	-	-	-	8,658	8,658
Advances out . . . . .	-	(8,658)	(8,658)	-	-	-
Operating transfers out . . . . .	-	(50,000)	(50,000)	-	-	-
Proceeds from sale of fixed assets . . . . .	715	715	-	-	-	-
Refund of prior year receipts . . . . .	-	-	-	-	(17,590)	(17,590)
Refund of prior year expenditure . . . . .	27,102	27,102	-	-	-	-
Total other financing sources (uses) . . . . .	<u>27,817</u>	<u>(30,841)</u>	<u>(58,658)</u>	<u>-</u>	<u>(8,932)</u>	<u>(8,932)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(1,195,262)</u>	<u>(700,416)</u>	<u>494,846</u>	<u>(155,328)</u>	<u>(69,442)</u>	<u>85,886</u>
Fund balances, July 1 . . . . .	1,140,976	1,140,976	-	130,165	130,165	-
Prior year encumbrances appropriated . . . . .	<u>421,285</u>	<u>421,285</u>	<u>-</u>	<u>26,622</u>	<u>26,622</u>	<u>-</u>
Fund balances, June 30 . . . . .	<u>\$ 366,999</u>	<u>\$ 861,845</u>	<u>\$ 494,846</u>	<u>\$ 1,459</u>	<u>\$ 87,345</u>	<u>\$ 85,886</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 352,981	\$ 352,981	\$ -	\$ 49,270	\$ 49,270	\$ -	\$ 3,828,941	\$ 3,828,941	\$ -
-	-	-	-	-	-	3,199	3,199	-
-	-	-	-	-	-	36,577	38,544	1,967
-	-	-	-	-	-	229,068	175,889	(53,179)
-	-	-	10,000	10,000	-	52,073	106,738	54,665
42,774	42,774	-	6,028	6,028	-	4,750,760	4,750,760	-
-	-	-	-	-	-	274,159	265,501	(8,658)
<u>395,755</u>	<u>395,755</u>	<u>-</u>	<u>65,298</u>	<u>65,298</u>	<u>-</u>	<u>9,174,777</u>	<u>9,169,572</u>	<u>(5,205)</u>
-	-	-	36,480	36,238	242	4,725,762	4,192,034	533,728
-	-	-	-	-	-	555,912	546,990	8,922
-	-	-	4,100	-	4,100	171,028	157,566	13,462
-	-	-	-	-	-	7,631	2,387	5,244
-	-	-	-	-	-	323,736	334,261	(10,525)
-	-	-	-	-	-	443,358	470,363	(27,005)
-	-	-	-	-	-	14,893	12,020	2,873
-	-	-	-	-	-	1,415,604	1,245,757	169,847
12,000	6,535	5,465	-	1,011	(1,011)	252,630	242,995	9,635
-	-	-	-	-	-	7,903	660	7,243
-	-	-	-	-	-	876,732	848,542	28,190
-	-	-	-	-	-	545,520	462,568	82,952
-	-	-	1,333	1,333	-	36,520	39,046	(2,526)
-	-	-	-	-	-	7,738	4,728	3,010
-	-	-	-	-	-	373,098	424,716	(51,618)
-	-	-	1,499,195	1,484,087	15,108	1,887,174	1,979,014	(91,840)
-	-	-	-	-	-	-	4,161	(4,161)
235,000	235,000	-	-	-	-	235,000	235,000	-
105,760	105,760	-	-	-	-	105,760	105,760	-
<u>352,760</u>	<u>347,295</u>	<u>5,465</u>	<u>1,541,108</u>	<u>1,522,669</u>	<u>18,439</u>	<u>11,985,999</u>	<u>11,308,568</u>	<u>677,431</u>
<u>42,995</u>	<u>48,460</u>	<u>5,465</u>	<u>(1,475,810)</u>	<u>(1,457,371)</u>	<u>18,439</u>	<u>(2,811,222)</u>	<u>(2,138,996)</u>	<u>672,226</u>
-	-	-	-	-	-	-	8,658	8,658
-	-	-	-	-	-	-	(8,658)	(8,658)
-	-	-	-	-	-	-	(50,000)	(50,000)
-	-	-	15,754	15,754	-	16,469	16,469	-
-	-	-	-	-	-	-	(17,590)	(17,590)
-	-	-	-	-	-	27,102	27,102	-
-	-	-	15,754	15,754	-	43,571	(24,019)	(67,590)
42,995	48,460	5,465	(1,460,056)	(1,441,617)	18,439	(2,767,651)	(2,163,015)	604,636
599,191	599,191	-	81,713	81,713	-	1,952,045	1,952,045	-
-	-	-	1,379,008	1,379,008	-	1,826,915	1,826,915	-
<u>\$ 642,186</u>	<u>\$ 647,651</u>	<u>\$ 5,465</u>	<u>\$ 665</u>	<u>\$ 19,104</u>	<u>\$ 18,439</u>	<u>\$ 1,011,309</u>	<u>\$ 1,615,945</u>	<u>\$ 604,636</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees . . . . .	\$ 4,295	\$ -	\$ 4,295
Sales and charges for services . . . . .	236,358	-	236,358
Other . . . . .	291	-	291
	<hr/>	<hr/>	<hr/>
Total operating revenues . . . . .	240,944	-	240,944
Operating expenses:			
Personal services . . . . .	225,725	-	225,725
Contract services . . . . .	10,816	-	10,816
Materials and supplies . . . . .	252,962	-	252,962
Depreciation . . . . .	9,001	-	9,001
	<hr/>	<hr/>	<hr/>
Total operating expenses . . . . .	498,504	-	498,504
Operating loss . . . . .	<u>(257,560)</u>	<u>-</u>	<u>(257,560)</u>
Nonoperating revenues:			
Grants and subsidies . . . . .	142,357	-	142,357
Federal commodities . . . . .	35,791	-	35,791
Gain on sale of asset . . . . .	300	-	300
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues . . . . .	178,448	-	178,448
Net loss before operating transfers. . . . .	(79,112)	-	(79,112)
Operating transfers in . . . . .	50,000	-	50,000
Net loss . . . . .	(29,112)	-	(29,112)
Retained earnings, July 1. . . . .	<u>96,874</u>	<u>2,388</u>	<u>99,262</u>
Retained earnings, June 30. . . . .	<u>\$ 67,762</u>	<u>\$ 2,388</u>	<u>\$ 70,150</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SPRINGFIELD LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees . . . . .	\$ 4,295	\$ -	\$ 4,295
Cash received from sales and service charges . . . . .	236,397	-	236,397
Cash received from other operating revenues . . . . .	291	-	291
Cash payments for personal services . . . . .	(221,377)	-	(221,377)
Cash payments for contract services . . . . .	(10,816)	-	(10,816)
Cash payments for materials and supplies. . . . .	<u>(225,567)</u>	<u>-</u>	<u>(225,567)</u>
Net cash used in operating activities. . . . .	<u>(216,777)</u>	<u>-</u>	<u>(216,777)</u>
Cash flows from noncapital financing activities:			
Cash received from grants and subsidies . . . . .	142,912	-	142,912
Cash received from operating transfers . . . . .	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net cash provided by noncapital financing activities . . . . .	<u>192,912</u>	<u>-</u>	<u>192,912</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets . . . . .	(12,912)	-	(12,912)
Gain on sale of fixed assets. . . . .	<u>300</u>	<u>-</u>	<u>300</u>
Net cash used in capital and related financing activities . . . . .	<u>(12,612)</u>	<u>-</u>	<u>(12,612)</u>
Net decrease in cash and cash equivalents. . . . .	(36,477)	-	(36,477)
Cash and cash equivalents at beginning of year . . . . .	<u>49,576</u>	<u>2,388</u>	<u>51,964</u>
Cash and cash equivalents at end of year . . . . .	<u>\$ 13,099</u>	<u>\$ 2,388</u>	<u>\$ 15,487</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss. . . . .	\$ (257,560)	\$ -	\$ (257,560)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation. . . . .	9,001	-	9,001
Federal donated commodities . . . . .	35,791	-	35,791
Changes in assets and liabilities:			
Increase in materials and supplies inventory. . . . .	(2,169)	-	(2,169)
Decrease in accounts receivable . . . . .	39	-	39
Decrease in accrued wages and benefits . . . . .	(1,517)	-	(1,517)
Increase in compensated absences payable . . . . .	2,692	-	2,692
Increase in due to other governments . . . . .	468	-	468
Increase in pension obligation payable. . . . .	2,705	-	2,705
Decrease in deferred revenue. . . . .	<u>(6,227)</u>	<u>-</u>	<u>(6,227)</u>
Net cash used in operating activities. . . . .	<u>\$ (216,777)</u>	<u>\$ -</u>	<u>\$ (216,777)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Springfield Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 36 square miles in Mahoning County, including all of the village of New Middletown and portions of surrounding townships.

The District is the 427<sup>th</sup> largest in the State of Ohio (among 740 public and community school districts) in terms of enrollment. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District is staffed by 39 non-certificated and 87 certificated personnel to provide services to approximately 1,255 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units. The following organizations are described due to their relationship to the District:

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

***JOINTLY GOVERNED ORGANIZATIONS***

**Area Cooperative Computerized Educational Service System (ACCESS)**

ACCESS is a jointly governed organization among 22 school districts and 2 county educational service centers. ACCESS was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge dependent upon the software package utilized. ACCESS is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in ACCESS. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio 44512.

**Mahoning County Career & Technical Center**

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

***PUBLIC ENTITY RISK POOL***

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

***GOVERNMENTAL FUNDS***

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

***PROPRIETARY FUNDS***

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

***FIDUCIARY FUNDS***

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual (see Note 3.B.).

***ACCOUNT GROUPS***

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Property taxes measurable as of June 30, 2003, and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2003 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as advanced at June 30. This amount is recognized as revenue.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from income taxes is recognized when the underlying transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from income or property taxes.

**D. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. Supplemental appropriations were legally enacted by the Board of Education in fiscal year 2003, however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 12 provides disclosure of the encumbrances outstanding for enterprise funds at fiscal year-end.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

**E. Cash and Investments**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal 2003. Investments in STAR Ohio are reported at fair value which is based on quoted market prices. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio Statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The District also allocates investment earnings to the Food Service enterprise fund based upon federal mandate. Interest revenue credited to the general fund during fiscal year 2003, amounted to \$38,465, which includes \$21,388 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**F. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5 - 20

**G. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

**H. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**I. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, debt service, BWC refunds and school bus purchases. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**J. Interfund Transactions**

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable and payable at June 30, 2003.

**K. Inventory**

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 17 For details.

**M. Estimates**

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**N. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

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

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$ 56
Disadvantaged Pupil Impact Aid	23
Title I	8,027
Title VI	4,557

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

These deficit fund balances are caused by accruing wage, benefit and retirement obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other subsidies not recognized at June 30.

**B. Agency Fund**

The following is an accrual for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts payable	\$1,131

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

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

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

Protection of the District's deposits is provided by the Federal Depository 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 2% 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;

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$(209,950) and the bank balance was \$132,481. The entire bank balance was covered by federal depository insurance.

*Investments:* GASB Statement No. 3 requires the District investments to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes insured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

At June 30, 2003, the District had an investment of \$2,005,205 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,795,255	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(2,005,205)</u>	<u>2,005,205</u>
GASB Statement No. 3	<u>\$ (209,950)</u>	<u>\$2,005,205</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$50,000
<u>Enterprise Funds</u>		
Food Service	<u>50,000</u>	<u>-</u>
Total	<u>\$50,000</u>	<u>\$50,000</u>

B. The following is a summarized breakdown of the District's interfund loans at June 30, 2003:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$8,658	\$ -
<u>Special Revenue Funds</u>		
Title VI	-	4,557
Reducing Class Size	<u>-</u>	<u>4,101</u>
Total	<u>\$8,658</u>	<u>\$8,658</u>

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year.

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$111,876,240. Agricultural/residential and public utility/minerals real estate represented \$87,742,960 or 78.43% of this total, commercial and industrial real estate represented \$10,066,270 or 8.99% of this total; public utility tangible represented \$6,205,450 or 5.55% of this total and general tangible property represented \$7,861,560 or 7.03% of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$34.60 per \$1,000.00 of assessed valuation for operations, \$3.50 per \$1,000.00 of assessed valuation for debt retirement, and \$1.00 per \$1,000.00 of assessed valuation for permanent improvement.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Mahoning County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The Mahoning County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The Mahoning County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The Mahoning County Auditor periodically remits to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

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, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no tax advances available at June 30, 2003.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts, accrued interest, interfund loans and intergovernmental state and federal grants and entitlements (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$4,249,506
<u>Special Revenue Funds</u>	
Due from other governments	45,201
<u>Debt Service Fund</u>	
Taxes - current and delinquent	416,289
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	118,940
<u>Enterprise Funds</u>	
Due from other governments	21,867

**NOTE 8 - LEASE - PURCHASE AGREEMENT**

On June 27, 2002, the District entered into a \$1,200,000 lease-purchase agreement with the Springfield School Building Corporation (SSBC) for the financing of a new athletic facilities complex including an eight-lane all-weather track, a home grandstand with seating for approximately 2,000 including a press box, a visitor grandstand with seating for approximately 1,000, a band shell structure and grandstand, home and visitor concession buildings with restroom facilities, ticket booths, fencing, and lighting, (hereafter the "Project"). The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2003, the District made principal payments totaling \$51,099.75 and interest payments totaling \$56,678.76 on the lease-purchase agreement. The first required principal and interest payment was due on December 1, 2003.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets consisting of construction in progress have been capitalized in the general fixed assets account group in the amount of \$1,200,000. This amount represents the costs of the Project funded by the lease-purchase agreement that were incurred prior to June 30, 2003.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 8 - LEASE - PURCHASE AGREEMENT - (Continued)**

The following is a schedule of the future long-term minimum payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	Amount
2004	\$ 116,168
2005	116,168
2006	116,168
2007	116,168
2008	116,168
2009 - 2013	580,840
2014 - 2017	<u>464,678</u>
Total	1,626,358
Less: amount representing interest	<u>(477,458)</u>
Present value of minimum lease payments	<u>\$1,148,900</u>

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the Project is being constructed to the SSBC. The District is the lessor and SSBC is the lessee under the ground-lease agreement. The ground-lease commenced on June 27, 2002 and terminates on June 1, 2017, or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

The SSBC entered into an assignment of rents and leases agreement with the Farmers National Bank, whereby the SSBC, in consideration for the \$1,200,000 in lease-purchase proceeds provided by the Farmers National Bank, assigns to Farmers National Bank all rents, payments and income derived from the lease-purchase agreement during the term of the ground-lease.

**NOTE 9 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance July 1, 2002	Increase	Decrease	Balance June 30, 2003
Land/improvements	\$ 543,356	\$1,579,893	\$ -	\$ 2,123,249
Buildings/improvements	7,060,214	12,790	-	7,073,004
Furniture/equipment	2,276,071	302,787	(3,512)	2,575,346
Vehicles	713,103	54,468	(3,190)	764,381
Construction in progress	<u>797,150</u>	<u>938,703</u>	-	<u>1,735,853</u>
Total	<u>\$11,389,894</u>	<u>\$2,888,641</u>	<u>\$(6,702)</u>	<u>\$14,271,833</u>



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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 9 - FIXED ASSETS – (Continued)**

The construction in progress represents costs incurred by June 30, 2003 for the new athletic facilities project described in Note 8.

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 225,539
Less: accumulated depreciation	<u>(155,552)</u>
Net fixed assets	<u>\$ 69,987</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. On June 24, 1999, the District issued \$3,364,996 general obligation various purpose refunding bonds. The bonds bear interest at rates ranging from 3.25% to 5.20% per annum and mature in various installments through December 1, 2012. The proceeds of the bonds were used to advance refund the District's 1990 general obligation school improvement bonds by purchasing U.S. Government State and Local Government Series securities (SLGS) that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunding bonds at June 30, 2003 was \$2,534,996.

The assets held in trust as a result of the advance refundings described above are not included in the accompanying GPFS.

The following is a description of the District's general obligation refunding bond activity for fiscal year 2003:

	<u>Outstanding July 1, 2002</u>	<u>Retired in 2003</u>	<u>Outstanding June 30, 2003</u>
General obligation bonds	<u>\$2,769,996</u>	<u>\$(235,000)</u>	<u>\$2,534,996</u>

- B. The following is a description of the District's future annual debt service requirements to maturity for the general obligation refunding bonds:

<u>Fiscal Year Ending June 30</u>	<u>Principal on General Obligation Bonds</u>	<u>Interest on General Obligation Bonds</u>	<u>Total</u>
2004	\$ 245,000	\$ 95,976	\$ 340,976
2005	260,000	85,368	345,368
2006	270,000	73,970	343,970
2007	270,000	62,090	332,090
2008	285,000	49,670	334,670
2009 - 2013	<u>1,204,996</u>	<u>481,813</u>	<u>1,686,809</u>
Total	<u>\$2,534,996</u>	<u>\$848,887</u>	<u>\$3,383,883</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

- C. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences, pension obligations, and early retirement incentive payments will be paid from the fund in which the employee was paid.

	<u>Balance</u> <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2003</u>
Compensated absences	\$ 585,678	\$ 7,306	\$ -	\$ 592,984
Pension obligation payable	43,641	53,012	(43,641)	53,012
Obligation under lease-purchase agreement	1,200,000	-	(51,100)	1,148,900
Early retirement incentive payable	20,000	60,000	(20,000)	60,000
General obligation bonds payable	<u>2,769,996</u>	<u>-</u>	<u>(235,000)</u>	<u>2,534,996</u>
<b>Total</b>	<b><u>\$4,619,315</u></b>	<b><u>\$120,318</u></b>	<b><u>\$(349,741)</u></b>	<b><u>\$4,389,892</u></b>

D. Early Retirement Incentive

The District has implemented an Early Retirement Incentive Program (ERIP) for its certified employees for fiscal years 2001 - 2003. The ERIP calls for a cash payment of \$20,000 payable to all eligible State Teachers Retirement System (STRS) employees who elect to retire in their first year of eligibility. Further detail of the ERIP by year is as follows:

ERIP for Fiscal 2002 - 2003

To qualify for the ERIP, all eligible employees under STRS must have notified the District of their intent to retire by April of each year, and, in fact, retire into STRS by July 1 of each year. To be eligible for the ERIP, an employee must have at least thirty years of service with STRS and at least ten years of full-time service with the District. The ERIP will be paid in two installments; one-half by September 1 of each year and the remainder by January 31 of the following year. Employees who are eligible to retire on July 1 of each year who choose not to retire at that time will forfeit their right to the retirement incentive.

As of June 30, 2003, one employee elected to take advantage of the ERIP and will be paid during fiscal 2004. A liability for this payment has been reported in the general long-term obligations account group.

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$8,181,517 (including available funds of \$647,651) and an unvoted debt margin of \$111,876.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments.

The comprehensive commercial coverage limits are \$17,114,300 and a deductible of \$1,000 per occurrence. The inland marine policy has a liability limit of \$71,000 on musical instruments with a \$1,000 deductible.

The business auto coverage now has a combined liability single limit of \$1,000,000 per accident. There are no longer individual limits for bodily injury or property damage.

The District still has liability insurance coverage limits of \$1,000,000 per claim and \$3,000,000 annual aggregate. However, the employee benefits liability is now included in the basic policy with the policy limits. This coverage has a \$1,000 deductible. In addition, the liability policy has a fire damage limit of \$500,000 for any one fire, and a medical expense limit of \$10,000 for any one person.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**B. Mahoning County Employee Insurance Consortium**

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 13 member school districts. The plan was organized to provide life insurance, health care and other benefits to its member organizations.

The District pays 90% of the medical insurance premiums and 100% of the dental and drug insurance premiums for all full-time employees. This percentage is pro-rated for part-time employees.

The health and dental coverage is administered by Professional Risk Management, a third party administrator. National Term Life Insurance Company provides the life insurance coverage.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 236,649	\$4,295	\$ 240,944
Operating expenses before depreciation	484,218	5,285	489,503
Depreciation	9,001	-	9,001
Operating loss	(256,570)	(990)	(257,560)
Operating grants	142,357	-	142,357
Federal donated commodities	35,791	-	35,791
Operating transfers in	50,000	-	50,000
Net loss	(28,122)	(990)	(29,112)
Fixed asset additions	12,912	-	12,912
Net working capital	14,738	3,650	18,388
Total assets	119,333	3,650	122,983
Total liabilities	60,812	-	60,812
Total equity	58,521	3,650	62,171
Encumbrances outstanding at June 30, 2003	1,023	-	1,023

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the 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 adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$130,175, \$120,755, and \$115,186, respectively; 46.85% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$69,191, represents the unpaid contribution for fiscal year 2003.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS – (Continued)**

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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$583,906, \$554,171, \$522,355, respectively; 83.51% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$96,301, represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, three members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$41,708 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. 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 at June 30, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$62,951 during the 2003 fiscal year.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing Sources  
Over/(Under) Expenditures and Other  
Financing Uses**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(700,416)	\$(69,442)	\$48,460	\$(1,441,617)
Net adjustment for revenue accruals	26,431	4,379	-	-
Net adjustment for expenditure accruals	2,980	(17,663)	-	434,004
Net adjustment for other financing sources/(uses)	(18,444)	8,932	-	-
Encumbrances (budget basis)	<u>83,445</u>	<u>19,954</u>	<u>-</u>	<u>39,639</u>
GAAP basis	<u>\$(606,004)</u>	<u>\$(53,840)</u>	<u>\$48,460</u>	<u>\$ (967,974)</u>



**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**B. Litigation**

There is no current litigation pending which would have a material effect on the financial statements.

**C. 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 District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2002	\$(280,392)	\$ -	\$57,162
Current year set-aside requirement	167,921	167,921	-
Qualifying disbursements	<u>(301,509)</u>	<u>(661,170)</u>	<u>-</u>
Total	<u>\$(413,980)</u>	<u>\$(493,249)</u>	<u>\$57,162</u>
Cash balance carried forward to FY 2004	<u>\$(413,980)</u>	<u>\$ -</u>	<u>\$57,162</u>

Monies representing BWC refunds that were received prior to April 10, 2002, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 17 - STATUTORY RESERVES - (Continued)**

The District had qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	\$57,162
Amount restricted for school bus purchases	<u>25,237</u>
Total restricted assets	<u>\$82,399</u>

**NOTE 18- SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% school district income tax at the November 2, 1999 election that became effective January 1, 2000. This tax is effective for 5 years. School district income tax revenue for the general fund during fiscal year 2003 was \$1,154,096.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$35,791		\$35,791
National School Breakfast		10.553	36,529		36,529	
National School Lunch		10.555	96,098		96,098	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>132,627</u>	<u>35,791</u>	<u>132,627</u>	<u>35,791</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6BSF-2003	84.027	98,059		98,059	
Total Special Education Cluster			<u>98,059</u>		<u>98,059</u>	
Title IID	TJS1-2003	84.318	2,344		2,068	
Assistive Technology Infusion	ATS3-2002	84.352	1,604		0	
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2002	84.010	13,645		23,336	
	C1S1-2003	84.010	100,271		91,527	
Total ESEA Title I			<u>113,916</u>		<u>114,863</u>	
Innovative Educational Program Strategies	C2S1-2001	84.298	0		94	
	C2S1-2002	84.298	0		6,418	
	C2S1-2003	84.298	6,717		6,717	
Total Innovative Educational Program Strategies			<u>6,717</u>		<u>13,229</u>	
Goals 2000 Baldrige in Education	GSS2-2002	84.276	0		1,616	
	84.276	84.276	0		11,895	
Class Size Reduction - Title VI-R	CRS1-2001	84.340	0		4,716	
	CRS1-2002	84.340	328		6,325	
Total Class Size Reduction			<u>328</u>		<u>11,041</u>	
Title II, Part A	TRS1-2003	84.367	14,397		17,023	
Advanced Placement	AVS1-2003	84.330	250		250	
Eisenhower - Title II	MSS1-2002	84.281	(987)		(987)	
Drug Free Schools Grant	DRS1-2001	84.186	3,712		2,332	
	DRS1-2002	84.186	0		670	
	DRS1-2003	84.186	1,767		1,717	
Total Drug Free Schools Grant			<u>5,479</u>		<u>4,719</u>	
Total Department of Education			<u>242,107</u>	<u>0</u>	<u>273,776</u>	<u>0</u>
<b>The State Library of Ohio</b>						
LSTA Mini Grant	III-12-03	45.310	23,646		23,646	
<b>Totals</b>			<u><u>\$398,380</u></u>	<u><u>\$35,791</u></u>	<u><u>\$430,049</u></u>	<u><u>\$35,791</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

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

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



**Auditor of State  
Betty Montgomery**

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

Springfield Local School District  
Mahoning County  
11335 Youngstown-Pittsburgh Rd.  
P.O. Box 549  
New Middleton, OH 44442

To the Board of Trustees:

We have audited the accompanying financial statements of Springfield Local School District, Mahoning County (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 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 do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 6, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 6, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Springfield Local School District  
Mahoning County  
11335 Youngstown-Pittsburgh Rd.  
P. O. Box 549  
New Middletown, OH 44442

To the Board of Education:

#### Compliance

We have audited the compliance of the Springfield Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 District's compliance with those requirements.

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

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 6, 2004



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**SPRINGFIELD LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster (CFDA #10.550, 10.553, 10.555)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type AIB Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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**Auditor of State  
Betty Montgomery**

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**SPRINGFIELD LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 3, 2004**