

Springboro Community School District

Warren County

Single Audit

July 1 , 2001 Through June 30, 2002

Fiscal Year Audited Under GAGAS: 2002

**BALESTRA & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Springboro Community School District, Warren County, prepared by Balestra & Company, for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

December 30, 2002

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SPRINGBORO COMMUNITY SCHOOL DISTRICT  
WARREN COUNTY

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# BALESTRA & COMPANY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general-purpose financial statements of the Springboro Community School District (the District), Warren County, as of and for the year ended June 30, 2002, 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 general purpose 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 District, as of June 30, 2002, and the results of its operations and 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 issued our report dated December 9, 2002, 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 schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

*Balestra & Company*

Balestra & Company

December 9, 2002

Springboro Community City School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	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	\$2,231,088	\$523,959	\$732,195	\$452,375
Cash and Cash Equivalents				
Receivables:				
Taxes	14,486,100	0	2,299,200	0
Accounts	0	0	0	837,000
Intergovernmental	3,781	137,206	0	0
Accrued Interest	596	0	0	0
Interfund Receivable	115,694	0	0	0
Prepaid Items	20,312	0	0	0
Materials and Supplies Inventory	0	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents Cash and Cash Equivalents	96,355	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$16,953,926</u></b>	<b><u>\$661,165</u></b>	<b><u>\$3,031,395</u></b>	<b><u>\$1,289,375</u></b>

See Accompanying Notes to the General-Purpose Financial Statements.



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$200,771	\$80,349	\$168,770	\$0	\$0	\$4,389,507
0	0	0	0	0	16,785,300
0	0	0	0	0	837,000
0	0	0	0	0	140,987
0	0	0	0	0	596
0	0	0	0	0	115,694
0	0	0	0	0	20,312
4,002	0	0	0	0	4,002
3,141	0	0	0	0	3,141
0	0	0	0	0	96,355
452,959	0	0	46,747,317	0	47,200,276
0	0	0	0	822,095	822,095
0	0	0	0	31,547,951	31,547,951
<u>\$660,873</u>	<u>\$80,349</u>	<u>\$168,770</u>	<u>\$46,747,317</u>	<u>\$32,370,046</u>	<u>\$101,963,216</u>

(continued)

Springboro Community City School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities,</b>				
<b>Fund Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$128,905	\$3,903	\$0	\$5,445
Contracts Payable	0	0	0	428,819
Accrued Wages and Benefits	2,292,870	26,499	0	0
Compensated Absences Payable	165,504	0	0	0
Interfund Payable	0	15,694	0	0
Intergovernmental Payable	387,660	9,296	0	0
Deferred Revenue	13,964,900	137,206	2,209,300	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	5,438	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<u>16,945,277</u>	<u>192,598</u>	<u>2,209,300</u>	<u>434,264</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	38,730	14,128	0	261,058
Reserved for Budget Stabilization	96,355	0	0	0
Reserved for Property Taxes	521,200	0	89,900	0
Unreserved:				
Designated	225,164	0	0	0
Undesignated (Deficit)	(872,800)	454,439	732,195	594,053
<b>Total Fund Equity (Deficit) and Other Credits</b>	<u>8,649</u>	<u>468,567</u>	<u>822,095</u>	<u>855,111</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$16,953,926</u>	<u>\$661,165</u>	<u>\$3,031,395</u>	<u>\$1,289,375</u>

See Accompanying Notes to the General-Purpose Financial Statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$10	\$4,995	\$0	\$0	\$0	\$143,258
0	0	0	0	0	428,819
52,885	0	0	0	0	2,372,254
19,588	0	0	0	990,175	1,175,267
0	100,000	0	0	0	115,694
35,720	0	0	0	168,500	601,176
0	0	0	0	0	16,311,406
0	0	88,861	0	0	88,861
0	0	0	0	0	5,438
0	53,673	0	0	0	53,673
0	0	0	0	841,371	841,371
0	0	0	0	2,670,000	2,670,000
0	0	0	0	27,700,000	27,700,000
<u>108,203</u>	<u>158,668</u>	<u>88,861</u>	<u>0</u>	<u>32,370,046</u>	<u>52,507,217</u>
0	0	0	46,747,317	0	46,747,317
233,442	0	0	0	0	233,442
319,228	(78,319)	0	0	0	240,909
0	0	0	0	0	313,916
0	0	0	0	0	96,355
0	0	0	0	0	611,100
0	0	0	0	0	225,164
0	0	79,909	0	0	987,796
<u>552,670</u>	<u>(78,319)</u>	<u>79,909</u>	<u>46,747,317</u>	<u>0</u>	<u>49,455,999</u>
<u>\$660,873</u>	<u>\$80,349</u>	<u>\$168,770</u>	<u>\$46,747,317</u>	<u>\$32,370,046</u>	<u>\$101,963,216</u>

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Springboro Community City School District  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Property and Other Local Taxes	\$11,542,187	\$0	\$1,894,121	\$0	\$0	\$13,436,308
Intergovernmental	10,037,570	730,378	252,952	0	0	11,020,900
Interest	97,385	8,200	0	827	5,026	111,438
Tuition and Fees	78,586	21,350	0	0	0	99,936
Rent	2,833	0	0	0	0	2,833
Extracurricular Activities	0	367,698	0	0	0	367,698
Gifts and Donations	909	63,935	0	0	7,125	71,969
Miscellaneous	58,975	41,511	8,848	0	0	109,334
<b>Total Revenues</b>	<b>21,818,445</b>	<b>1,233,072</b>	<b>2,155,921</b>	<b>827</b>	<b>12,151</b>	<b>25,220,416</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	11,302,661	165,937	0	30,047	0	11,498,645
Special	1,447,001	39,021	0	0	0	1,486,022
Vocational	65,619	0	0	0	0	65,619
Other	16,179	222,898	0	0	0	239,077
Support Services:						
Pupils	851,868	65,882	0	0	1,000	918,750
Instructional Staff	1,173,574	190,286	0	0	0	1,363,860
Board of Education	163,005	3,240	0	0	0	166,245
Administration	1,362,490	7,053	0	0	0	1,369,543
Fiscal	596,258	0	32,066	0	0	628,324
Business	114,739	0	0	0	0	114,739
Operation and Maintenance of Plant	2,347,379	522	0	0	0	2,347,901
Pupil Transportation	1,454,920	4,395	0	0	0	1,459,315
Central	203,688	11,571	0	0	0	215,259
Operation of Non-Instructional Services						
Services	40,266	229,389	0	0	0	269,655
Extracurricular Activities	387,427	291,048	0	0	0	678,475
Capital Outlay	532,345	17,400	0	1,863,324	0	2,413,069
Debt Service:						
Principal Retirement	58,120	0	1,163,000	0	0	1,221,120
Interest and Fiscal Charges	64,637	0	1,418,953	0	0	1,483,590
<b>Total Expenditures</b>	<b>22,182,176</b>	<b>1,248,642</b>	<b>2,614,019</b>	<b>1,893,371</b>	<b>1,000</b>	<b>27,939,208</b>
Excess of Revenues Over (Under) Expenditures	<u>(363,731)</u>	<u>(15,570)</u>	<u>(458,098)</u>	<u>(1,892,544)</u>	<u>11,151</u>	<u>(2,718,792)</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Long-Term Notes	328,000	0	513,000	1,829,000	0	2,670,000
Inception of Capital Lease	205,600	0	0	638,000	0	843,600
Operating Transfers In	0	11,388	70,357	250,000	0	331,745
Operating Transfers Out	<u>(338,750)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(338,750)</u>
<b>Total Other Financing Sources (Uses)</b>	<b>194,850</b>	<b>11,388</b>	<b>583,357</b>	<b>2,717,000</b>	<b>0</b>	<b>3,506,595</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(168,881)</u>	<u>(4,182)</u>	<u>125,259</u>	<u>824,456</u>	<u>11,151</u>	<u>787,803</u>
Fund Balances (Deficit) at Beginning of Year (As Restated, See Note 22)	<u>177,530</u>	<u>472,749</u>	<u>696,836</u>	<u>30,655</u>	<u>68,758</u>	<u>1,446,528</u>
<b>Fund Balances (Deficit) at End of Year</b>	<b><u>\$8,649</u></b>	<b><u>\$468,567</u></b>	<b><u>\$822,095</u></b>	<b><u>\$855,111</u></b>	<b><u>\$79,909</u></b>	<b><u>\$2,234,331</u></b>

See Accompanying Notes to the General-Purpose Financial Statements.

Springboro Community City School District  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property and Other Local Taxes	\$12,214,499	\$12,214,499	\$0	\$0	\$0	\$0
Intergovernmental	10,035,962	10,035,962	0	730,378	730,378	0
Interest	99,852	99,852	0	8,200	8,200	0
Tuition and Fees	78,586	78,586	0	21,350	21,350	0
Rent	2,833	2,833	0	0	0	0
Extracurricular Activities	0	0	0	356,442	356,442	0
Gifts and Donations	909	909	0	63,935	63,935	0
Miscellaneous	44,771	44,771	0	52,894	52,894	0
<b>Total Revenues</b>	<b>22,477,412</b>	<b>22,477,412</b>	<b>0</b>	<b>1,233,199</b>	<b>1,233,199</b>	<b>0</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	10,766,592	10,766,592	0	169,438	169,438	0
Special	1,390,006	1,390,006	0	38,152	38,152	0
Vocational	63,993	63,993	0	0	0	0
Other	25,624	25,624	0	0	0	0
Support Services:						
Pupils	819,942	819,942	0	66,149	66,149	0
Instructional Staff	1,145,091	1,145,091	0	194,962	194,962	0
Board of Education	164,047	164,047	0	3,240	3,240	0
Administration	1,352,849	1,352,849	0	15,247	15,247	0
Fiscal	593,606	593,606	0	0	0	0
Business	119,196	119,196	0	0	0	0
Operation and Maintenance of Plant	2,344,270	2,344,270	0	1,492	1,492	0
Pupil Transportation	1,475,709	1,475,709	0	4,395	4,395	0
Central	239,681	239,681	0	8,861	8,861	0
Operation of Non-Instructional Services						
Extracurricular Activities	41,470	41,470	0	243,758	243,758	0
Capital Outlay	384,726	384,726	0	302,719	302,719	0
Capital Outlay	324,064	324,064	0	17,401	17,401	0
Debt Service:						
Principal Retirement	317,550	317,550	0	0	0	0
Interest and Fiscal Charges	61,575	61,575	0	0	0	0
<b>Total Expenditures</b>	<b>21,629,991</b>	<b>21,629,991</b>	<b>0</b>	<b>1,065,814</b>	<b>1,065,814</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	847,421	847,421	0	167,385	167,385	0
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Long Term Notes	328,000	328,000	0	0	0	0
Refund of Prior Year Expenditures	7,111	7,111	0	(84)	(84)	0
Refund of Prior Year Receipts	(95)	(95)	0	(222,899)	(222,899)	0
Operating Transfers In	0	0	0	11,388	11,388	0
Operating Transfers Out	(338,750)	(338,750)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(3,734)</b>	<b>(3,734)</b>	<b>0</b>	<b>(211,595)</b>	<b>(211,595)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	843,687	843,687	0	(44,210)	(44,210)	0
Fund Balances at Beginning of Year	1,444,515	1,444,515	0	494,194	494,194	0
Prior Year Encumbrances Appropriated	101,566	101,566	0	59,440	59,440	0
<b>Fund Balances at End of Year</b>	<b>\$2,389,768</b>	<b>\$2,389,768</b>	<b>\$0</b>	<b>\$509,424</b>	<b>\$509,424</b>	<b>\$0</b>

See Accompanying Notes to the General-Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,040,441	\$2,040,441	\$0	\$0	\$0	\$0	\$0	\$0	\$0
252,952	252,952	0	0	0	0	0	0	0
0	0	0	827	827	0	5,026	5,026	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	7,125	7,125	0
8,848	8,848	0	0	0	0	0	0	0
<u>2,302,241</u>	<u>2,302,241</u>	<u>0</u>	<u>827</u>	<u>827</u>	<u>0</u>	<u>12,151</u>	<u>12,151</u>	<u>0</u>
0	0	0	60,046	60,046	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	1,000	1,000	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
32,066	32,066	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,781,450	1,781,450	0	0	0	0
1,163,000	1,163,000	0	0	0	0	0	0	0
1,418,953	1,418,953	0	0	0	0	0	0	0
<u>2,614,019</u>	<u>2,614,019</u>	<u>0</u>	<u>1,841,496</u>	<u>1,841,496</u>	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
<u>(311,778)</u>	<u>(311,778)</u>	<u>0</u>	<u>(1,840,669)</u>	<u>(1,840,669)</u>	<u>0</u>	<u>11,151</u>	<u>11,151</u>	<u>0</u>
513,000	513,000	0	1,630,000	1,630,000	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
70,357	70,357	0	250,000	250,000	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>583,357</u>	<u>583,357</u>	<u>0</u>	<u>1,880,000</u>	<u>1,880,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
271,579	271,579	0	39,331	39,331	0	11,151	11,151	0
341,394	341,394	0	121,540	121,540	0	68,758	68,758	0
0	0	0	30,000	30,000	0	0	0	0
<u>\$612,973</u>	<u>\$612,973</u>	<u>\$0</u>	<u>\$190,871</u>	<u>\$190,871</u>	<u>\$0</u>	<u>\$79,909</u>	<u>\$79,909</u>	<u>\$0</u>

Springboro Community City School District  
 Combined Statement of Revenues,  
 Expenses and Changes in Fund Equity  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b><i>Operating Revenues:</i></b>			
Sales	\$821,572	\$0	\$821,572
Charges for Services	0	241,929	241,929
Tuition	3,770	0	3,770
Other	0	16,796	16,796
Total Operating Revenues	<u>825,342</u>	<u>258,725</u>	<u>1,084,067</u>
<b><i>Operating Expenses:</i></b>			
Salaries	303,242	0	303,242
Fringe Benefits	131,324	0	131,324
Purchased Services	13,895	29,836	43,731
Materials and Supplies	192,718	0	192,718
Cost of Sales	312,244	0	312,244
Depreciation	34,299	0	34,299
Claims	0	219,530	219,530
Other	469	0	469
Total Operating Expenses	<u>988,191</u>	<u>249,366</u>	<u>1,237,557</u>
Operating Income (Loss)	<u>(162,849)</u>	<u>9,359</u>	<u>(153,490)</u>
<b><i>Non-Operating Revenues (Expenses):</i></b>			
Federal Donated Commodities	42,080	0	42,080
Federal and State Subsidies	73,606	0	73,606
Interest	2,700	0	2,700
Other	1,050	0	1,050
Total Non-Operating Revenues	<u>119,436</u>	<u>0</u>	<u>119,436</u>
Income (Loss) Before Operating Transfers	(43,413)	9,359	(34,054)
Operating Transfers In	<u>7,005</u>	<u>0</u>	<u>7,005</u>
Net Income (Loss)	(36,408)	9,359	(27,049)
Retained Earnings (Deficit) at Beginning of Year	<u>355,636</u>	<u>(87,678)</u>	<u>267,958</u>
Retained Earnings (Deficit) at End of Year	319,228	(78,319)	240,909
Contributed Capital at Beginning and End of Year	<u>233,442</u>	<u>0</u>	<u>233,442</u>
Total Fund Equity (Deficit) at End of Year	<u>\$552,670</u>	<u>(\$78,319)</u>	<u>\$474,351</u>

See Accompanying Notes to the General-Purpose Financial Statements.



Springboro Community City School District  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2002

	Enterprise Funds			Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Revenues:</i></b>						
Sales	\$821,663	\$821,663	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	241,929	241,929	0
Federal and State Subsidies	73,606	73,606	0	0	0	0
Other	4,820	4,820	0	16,796	16,796	0
<b>Total Operating Revenues</b>	<b>900,089</b>	<b>900,089</b>	<b>0</b>	<b>258,725</b>	<b>258,725</b>	<b>0</b>
<b><i>Expenses:</i></b>						
Salaries	298,816	298,816	0	0	0	0
Fringe Benefits	96,084	96,084	0	0	0	0
Purchased Services	16,192	16,192	0	24,840	24,840	0
Materials and Supplies	468,443	468,443	0	0	0	0
Other	469	469	0	208,146	208,146	0
<b>Total Operating Expenses</b>	<b>880,004</b>	<b>880,004</b>	<b>0</b>	<b>232,986</b>	<b>232,986</b>	<b>0</b>
Excess of Revenues Over (Under) Expenses	20,085	20,085	0	25,739	25,739	0
<b><i>Other Financing Sources</i></b>						
Operating Transfers In	7,005	7,005	0	0	0	0
<b>Total Other Financing Sources</b>	<b>7,005</b>	<b>7,005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Operating Transfers Over Expenses	27,090	27,090	0	25,739	25,739	0
Fund Equity at Beginning of Year	160,221	160,221	0	54,612	54,612	0
Prior Year Encumbrances Appropriated	10,759	10,759	0	0	0	0
<b>Fund Equity at End of Year</b>	<b>\$198,070</b>	<b>\$198,070</b>	<b>\$0</b>	<b>\$80,351</b>	<b>\$80,351</b>	<b>\$0</b>

See Accompanying Notes to the General-Purpose Financial Statements.

Springboro Community City School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$821,663	\$0	\$821,663
Cash Received from Tuition Payments	3,770	0	3,770
Cash Received from Quasi-External Transactions With Other Funds	0	241,929	241,929
Cash Received from Other Operating Sources	0	16,796	16,796
Cash Payments to Suppliers for Goods and Services	(485,106)	0	(485,106)
Cash Payments to Employees for Services	(298,816)	(24,841)	(323,657)
Cash Payments for Employee Benefits	(96,083)	0	(96,083)
Cash Payments for Claims	0	(208,146)	(208,146)
	<u>(54,572)</u>	<u>25,738</u>	<u>(28,834)</u>
<b><u>Net Cash Provided by Operating Activities</u></b>			
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Federal and State Subsidies	73,606	0	73,606
Other Non-Operating Revenue	1,050	0	1,050
Operating Transfers In	7,005	0	7,005
	<u>81,661</u>	<u>0</u>	<u>81,661</u>
<b><u>Net Cash Provided by Noncapital Financing Activities</u></b>			
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest	2,700	0	2,700
	<u>29,789</u>	<u>25,738</u>	<u>55,527</u>
<b><u>Net Increase in Cash and Cash Equivalents</u></b>			
Cash and Cash Equivalents at Beginning of Year	170,982	54,611	225,593
Cash and Cash Equivalents at End of Year	\$200,771	\$80,349	\$281,120
<b><u>Reconciliation of Operating Loss to Net</u></b>			
<b><u>Cash Used for Operating Activities:</u></b>			
Operating Loss	(\$162,849)	\$9,359	(\$153,490)
<b><u>Adjustments to Reconcile Operating</u></b>			
<b><u>Loss to Net Cash Used for</u></b>			
<b><u>Operating Activities:</u></b>			
Depreciation	34,229	0	34,229
Donated Commodities Used During Year	42,081	0	42,081
<b><u>Changes in Assets and Liabilities:</u></b>			
Decrease in Accounts Receivable	91	0	91
Decrease in Inventory Held for Resale	300	0	300
Increase (Decrease) in Accounts Payable	(8,159)	4,995	(3,164)
Increase in Accrued Wages and Benefits	4,957	0	4,957
Increase in Compensated Absences	352	0	352
Increase in Intergovernmental Payable	34,356	0	34,356
Increase in Claims Payable	0	11,384	11,384
	<u>108,207</u>	<u>16,379</u>	<u>124,586</u>
<b><u>Total Adjustments</u></b>			
Net Cash Provided by Operating Activities	<u>(\$54,642)</u>	<u>\$25,738</u>	<u>(\$28,904)</u>

See Accompanying Notes to the General-Purpose Financial Statements

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1990 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 44.7 square miles. It is located in Warren County, and includes the City of Springboro and Clearcreek Township and a small portion of Franklin Township. It is staffed by 150 non-certificated employees, 222 certificated full-time teaching personnel and 11 administrative employees who provide services to 3,794 students and other community members. The School District currently operates 4 instructional buildings, 1 administrative building, and 1 garage.

*A. Reporting Entity*

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

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

The School District has no component units.

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

*Southwestern Ohio Computer Association* - The School District is a participating member of the Southwestern Ohio Computer Association (SWOCA). SWOCA provides data services needed by the participating school districts. D. Russell Lee Vocational School serves as the fiscal agent. This is a jointly governed organization and the School District's participation is discussed in Note 19 to the General-Purpose Financial Statements.

*Warren County Career Center* - The School District became a member of a cooperative agreement to establish the Warren County Career Center to provide for the vocational and special education needs of the students. The School District is not involved in the budgeting or management of the Warren County Career Center. A board member appointed by School District school board members serves as a member of the Warren County Career Center Board of Education. This is a jointly governed organization and the School District's participation is discussed in Note 19 to the General-Purpose Financial Statements.

*Southwestern Ohio Educational Purchasing Council* - The School District is a participating member of the Southwestern Ohio Educational Purchasing Council (the "Council"). The Council's purpose is to obtain prices for quality merchandise and service commonly used by schools. The Montgomery County Educational Service Center acts the fiscal agent. This is a jointly governed organization and the School District's participation is discussed in Note 19 to the General-purpose Financial Statements.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

The financial statements of the Springboro Community City School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School 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 more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

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

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

*Special Revenue Funds* - 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 expenditure 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* - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**A. Basis Of Presentation - Fund Accounting** (continued)

*Enterprise Funds* - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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* - This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*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 a general nature, the following account groups are used:

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

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

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., 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 operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**B. Measurement Focus and Basis of Accounting** (continued)

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

***Tax Budget:***

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

By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for rate determination.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**C. Budgetary Process** (continued)

*Estimated Resources:*

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 School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002. At year-end, the School District requested and received an amended certificate in which estimated revenues match actual revenues.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, 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 at any level of control.

Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted and they were not significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School 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 School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account presented on the combined balance sheet as "cash and cash equivalents with fiscal and escrow agents" and represents deposits. Retainage accounts held until the completion of major construction projects have been held in separate bank accounts and are presented as "cash and cash equivalents with fiscal and escrow agents."

During fiscal year 2002, investments were limited to STAR Ohio, overnight repurchase agreements, and money market mutual funds.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. 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, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Investment earnings are allocated to the general fund, building fund capital project fund, and the expendable trust fund in accordance with School District policy. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$97,385. The special revenue funds, capital projects fund, the expendable trust funds, and the enterprise funds received interest in the amount of \$8,200, \$827, \$5,026, and \$2,007, respectively.

For purposes of the combined statement of cash flows, the proprietary fund types' portion of pooled cash and cash equivalents is considered a cash equivalent because the School District is able to withdraw resources from these funds without prior notice or penalty.

**E. Inventory**

Inventories of enterprise funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of enterprise funds consist of donated food and purchased food held for resale and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.



Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

G. Fixed Assets and Depreciation (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten years.

H. Compensated Absences

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

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligation account group to the extent they will not be paid with current expendable available financial resources. Payments made more than two months after year-end are considered not to have used current available resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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

**K. Interfund Assets/Liabilities**

Short-term interfund loans are classified as “interfund receivables” and “interfund payables.”

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets includes amounts required by statute to be set aside by the School District budget stabilization. See Note 18 for information on the budget stabilization set-aside.

**M. Fund Balance Reserves**

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

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

**N. Estimates**

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

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

**P. Total Columns on General-Purpose Financial Statements**

Total columns on the general-purpose financial statements 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 cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Q. Designation of Fund Balance**

The School District designated \$225,164 for budget stabilization. See note 18 for additional information regarding the budget stabilization.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (Budget Basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (Budget Basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (Budget Basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (Budget Basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (Budget Basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
6. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
Governmental Fund Types and Expendable Trust Fund

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
GAAP Basis	\$(168,881)	\$(4,182)	\$125,259	\$824,456
Adjustments:				
Revenue Accrual	460,478	127	146,320	(837,000)
Expenditure Accrual	611,693	(25,758)	0	313,378
Encumbrances	(59,603)	(14,397)	0	(261,503)
Budget Basis	<u><u>\$843,687</u></u>	<u><u>\$(44,210)</u></u>	<u><u>\$271,579</u></u>	<u><u>\$39,331</u></u>

There were no adjustments required for the Expendable Trust Fund as the budget basis and the GAAP basis were the same.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Income(Loss)/Excess of Revenues Over(Under) Expenses All Proprietary Fund Types		
	Enterprise Funds	Internal Service Fund
	Funds	Fund
GAAP Basis	(\$36,408)	\$9,359
Adjustments:		
Revenue Accruals	(44,689)	0
Expense Accruals	108,187	16,380
Budget Basis	\$27,090	\$25,739

**NOTE 4 - ACCOUNTABILITY**

The Title VI-B, Preschool, and Title VI-R special revenue funds, the Adult Education enterprise fund and the internal service fund had deficit fund balances/retained earnings of \$2,808, \$4,292, \$49, \$126, and \$78,320, respectively. The deficits in these funds were created by application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety 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.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

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

**Deposits** At year end, the carrying amount of the School District's deposits was \$688,282 and the bank balance was \$1,143,452. Of the bank balance:

1. \$233,765 was covered by federal depository insurance; and
2. \$909,687 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

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

	Unclassified	Category 3	Fair Value
Money Market Mutual Funds	\$10,636	\$0	\$10,636
Repurchase Agreement	0	3,759,685	3,759,685
STAR Ohio	27,259	0	27,259
Totals	\$37,895	\$3,759,685	\$3,797,580

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$4,485,862	\$0
Investments:		
Star Ohio	(27,259)	27,259
Money Market Mutual Funds	(10,636)	10,636
Repurchase Agreement	(3,759,685)	3,759,685
GASB Statement 3	\$688,282	\$3,797,580

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2002 with real property taxes.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 6 - PROPERTY TAXES** (continued)

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$457,129,660	88.91%	\$488,734,660	90.71%
Public Utility	33,000,000	6.42	25,955,990	4.82
Tangible Personal Property	24,024,140	4.67	24,072,590	4.47
<b>Total Assessed Value</b>	<b>\$514,153,800</b>	<b>100.00%</b>	<b>\$538,763,240</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$52.46		 \$55.56	

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$521,200 in the General Fund and \$89,900 in the Debt Service Fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. The General Fund, Eisenhower, Drug Free, Title VI-R, Title VI, Title VI-B and Title I special revenue funds had intergovernmental receivables of \$3,781, \$12,621, \$10,819, \$13,158, \$11,641, \$70,449 and \$18,518, respectively.

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$729,788
Less accumulated depreciation	(276,829)
 Net Fixed Assets	 \$452,959

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 8 - FIXED ASSETS** (continued)

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Buildings,				
Land and Improvements	\$37,686,103	\$204,000	\$0	\$37,890,103
Furniture and Equipment	5,273,953	361,758	352,113	5,283,598
Construction in Progress	0	1,434,505	0	1,434,505
Vehicles	2,139,111	0	0	2,139,111
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$45,099,167</u>	<u>\$2,000,263</u>	<u>\$352,113</u>	<u>\$46,747,317</u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with Indiana Insurance Company for property insurance with a \$20,000,000 aggregate limit and a \$1,000 deductible and inland marine of \$25,000 limit and a \$500 deductible. Professional liability is protected by the Nationwide Mutual Insurance Company with a per occurrence limit of \$1,000,000 and a \$5,000,000 aggregate limit under a commercial umbrella policy.

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

The Ohio Casualty Insurance Company maintains both a \$20,000 public official bond for the Treasurer and a \$10,000 blanket bond for other employees.

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

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

The School District provides medical/surgical insurance through United Health Care, a commercial insurance company.

Dental insurance is offered to all eligible employees through the self-insurance internal service fund. The School District pays \$77.45 for family coverage or \$30.03 for individual coverage per month which represents ninety percent of the premium required. Vision insurance is offered to all eligible employees through the self-insurance internal service fund. The School District pays \$10.23 for family coverage or \$4.10 for individual coverage per month which represents ninety percent of the premium required. The claims liability of \$53,673 reported in the fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in past three fiscal years were:



Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 9 - RISK MANAGEMENT** (continued)

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance at <u>End of Year</u>
2000	\$237,224	\$952,081	\$1,177,075	\$12,230
2001	12,230	205,402	175,343	42,289
2002	42,289	219,530	208,146	53,673

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$132,310, \$164,941, and \$111,838 respectively; 47 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$86,327 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,014,345, \$803,586 and \$515,529, respectively; 85 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$169,582 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. 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 percent of covered payroll. For the fiscal year ended June 30, 2002, and after, the board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$67,055, during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. The portion of the employer contribution that were used to fund postemployment benefits was \$344,125.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 million and the target level was \$242.2 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - COMPENSATED ABSENCES**

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

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The School District has entered into a capitalized lease for the purchase of modular classrooms, computers and to construct a new central office. Construction of the central office completed as of June 30, 2002. During previous years, the School District entered into capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the combined financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE** (continued)

General fixed assets acquired by lease have been capitalized in the general fixed assets account group at \$1,138,535. A corresponding liability was recorded in the general long-term obligations account group.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTDAG
2003	\$85,915
2004	717,008
2005	40,394
2006	37,202
2007	37,202
Total	917,721
Less: Amount Representing Interest	(76,350)
Present Value of Net Minimum Lease Payments	\$841,371

**NOTE 14 - LONG TERM DEBT**

Changes in general long-term obligations of the School District for the 2002 fiscal year were:

	Principal Outstanding 6/30/01	Additions	Deletions	Principal Outstanding 6/30/02
School Improvement Bond				
1978 5.50% (As Restated, See Note 22)	\$160,000	0	\$160,000	\$0
School Improvement Bond				
1996 and 1991 Refunding 5.24%	28,190,000	0	490,000	27,700,000
Total Bonded Debt	28,350,000	0	650,000	27,700,000
Loan Payable	513,000	2,670,000	513,000	2,670,000
Intergovernmental Payables	158,036	168,500	158,036	168,500
Compensated Absences	966,757	23,418	0	990,175
Capital Leases (As Restated, See Note 22)	55,891	843,600	58,120	841,371
Total General Long-Term Obligations	\$30,043,684	\$3,705,518	\$1,379,156	\$32,370,046

The School District's overall legal debt margin was \$20,788,692 with an unvoted debt margin of \$538,763 at June 30, 2002.

*Springboro High School Addition General Obligation Bonds* - In 1996, Springboro Community City School District issued \$33,625,000 in voted general obligation bonds for the purpose of a new high school building and to refund a 1991 School Improvement bond issuance. The bonds were issued for a twenty-five year period with final maturity at December 1, 2023. The bonds will be retired from the debt service fund.

*Springboro School Improvement Bond* - In 1978, Springboro Community City School District issued \$4,000,000 in voted general obligation bonds for the purpose of making improvements to the School District's buildings. The bonds were issued for a twenty-four year period with final maturity at December 1, 2001. The bonds will be retired from the debt service fund.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 14 - LONG TERM DEBT** (continued)

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

*Springboro School Bus Purchase Loan* - In May 2001, Springboro Community City School District borrowed \$841,000 from the Ohio School Boards Association School Pool, for the purpose of buying school buses for the School District. The loan is for a three year period with final maturity at May 2004. The debt will be retired from the debt service fund.

Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund. Intergovernmental payables, which represent contractually required pension contributions, are paid from the fund from which the employees are paid.

In prior years, the School District defeased School Improvement obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2002 \$2,460,000 bonds outstanding are considered defeased.

Principal and interest requirements to retire general obligation bonds and loans outstanding at June 30, 2002, are as follows:

Fiscal Year	Principal	Interest	Total
Ending June 30,			
2003	986,804	1,505,790	2,492,594
2004	1,706,518	1,452,790	3,159,308
2005	547,832	1,967,845	2,515,677
2006	495,503	1,994,417	2,489,920
2007	443,375	1,991,030	2,434,405
2008-2012	6,030,000	6,129,413	12,159,413
2013-2017	7,754,000	4,241,259	11,995,259
Thereafter	12,405,968	2,199,375	14,605,343
Totals	\$30,370,000	\$21,481,919	\$51,851,919

**NOTE 15 - SHORT TERM DEBT**

During fiscal year 2002 the School District retired school bus acquisition notes in the amount of \$317,550. The debt had been reported in and was paid from the General Fund.

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2002 receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$115,694	\$0
Special Revenue Funds:		
Title VI	0	3,766
Preschool	0	1,251
Title VI-B		10,677
Total Special Revenue Funds	0	15,694
Self-Insurance Internal Service Fund	0	100,000
Total All Funds	<u>\$115,694</u>	<u>\$115,694</u>

**NOTE 17 - ENTERPRISE FUND INFORMATION**

The School District maintains three 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 Springboro Community City School District as of and for the fiscal year ended June 30, 2002.

	Food Services	School Supplies	Adult Education	Total
Operating Revenues	\$624,934	\$196,638	\$3,770	\$825,342
Operating Expenses less depreciation	774,337	168,654	10,901	953,892
Depreciation	34,299	0	0	34,299
Operating Income (Loss)	(183,702)	27,984	(7,131)	(162,849)
Donated Commodities	42,081	0	0	42,081
Interest	2,700	0	0	2,700
Federal and State Subsidies	73,606	0	0	73,606
Net Income	(64,266)	27,984	(126)	(36,408)
Net Working Capital	23,503	76,334	(126)	99,711
Total Assets	584,539	76,334	0	660,873
Total Equity	476,462	76,334	(126)	552,670

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

For fiscal year ended June 30, 2002, the School District is no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

The balance of the budget stabilization reserve, \$225,164, which did not represent BWC rebates or refunds has been recorded as a fund designation in the General Fund and will be used in accordance with Section 5705.13 Revised Code.

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

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization
Cash Balance 07/01/2001	\$0	\$0	\$96,355
Current Year Set-Aside Requirement	513,771	513,771	0
Offset Credits and Pr. Yr. Carryover	(26,537)	(315,030)	0
Qualifying Expenditures	(520,85)	(638,000)	0
Balance Carried Forward to FY 2003	\$(33,621)	\$(439,259)	\$96,355
Set Aside Reserve Cash Balance as of June 30, 2002	\$0	\$0	\$96,355

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

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

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

The governing board of SWOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid \$45,161 to SWOCA for services rendered during the fiscal year. Financial information can be obtained from Michael Crumley, Executive Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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

**NOTE 20 - SCHOOL FUNDING COURT DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ◆ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ◆ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**NOTE 21 - CONTINGENCIES**

**A. Grants:**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation:**

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

Springboro Community City School District  
Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 22 -RESTATED ACCOUNT GROUP AND FUND BALANCE**

**Restated Account Group and Fund Balance** Correction of accounting errors in the prior year required that certain adjustments be recorded to the July 1, 2002 balance for the General Long-Term Debt Account Group as previously reported. The restatements to the opening fund balance are as follows:

Fund Type	Previously Stated Balances at June 30, 2002	Adjustments	Restated Balance at July 1, 2002
General Long Term Debt Account Group	\$30,049,664	\$ ( 5,980)	\$30,043,684
General Fund	(196,470)	374,000	177,530

**NOTE 23 - CONTRACT COMMITMENT**

As of June 30, 2002, the School District had professional heating, ventilation and air conditioning improvements made to the District's various school buildings.

Contractor	Contract Amount	Amount Expended	Contract Remaining
Johnson Controls	\$1,829,000	\$1,236,450	\$592,550



Springboro Community School District  
Warren County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	\$0	\$43,169	\$0	\$42,081
National School Lunch Program	LL-P4	10.555	72,448	0	72,448	0
Total United States Department of Agriculture - Nutrition Cluster			72,448	43,169	72,448	42,081
<u>United States Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Drug Free Schools	DR-S1	84.186	18,761	0	28,706	0
Eisenhower Grant	MS-S1	84.281	11,359	0	12,833	0
Title I	C1-SI	84.010	41,915	0	24,537	0
Title VI-B	6B-SF	84.027	155,298	0	138,119	0
Special Education Preschool Grants	PG-S1	84.173	14,965	0	16,107	0
Assistance Technology Infusion Project	AT-S1	84.352A	1,884	0	1,884	0
Class Size Reduction	CR-S1	84.340	45,134	0	60,651	0
Innovative Education Program Strategy	C2-S1	84.298	32,802	0	23,645	0
Total United States Department of Education			322,118	0	306,482	0
Total Federal Financial Assistance			\$394,566	\$43,169	\$378,930	\$42,081

N/A=Not Available

See Accompanying Notes to Schedule of Federal Awards Expenditures.

SPRINGBORO COMMUNITY SCHOOL DISTRICT  
Notes to the Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2002

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**NOTE A -SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -FOOD DISTRIBUTIONS**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

# BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Member Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the Springboro Community City School District (the District), Warren County, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 9, 2002. 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 *Governmental Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the School District in a separate letter dated December 9, 2002.

### 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, which we have reported to management of the School District in a separate letter dated December 9, 2002.

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

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

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

*Balestra & Company*

Balestra & Company

December 9, 2002

# BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the compliance of Springboro Community School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

### **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 the internal control over compliance in accordance with OMB Circular A-133.

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

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

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

*Balestra & Company*  
Balestra & Company

December 9, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

SPRINGBORO COMMUNITY SCHOOL DISTRICT  
WARREN COUNTY  
JUNE 30, 2002

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster; CFDA # 84.027 and 84.173 Food Nutrition and National School Lunch Programs CFDA # 10.550 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

SPRINGBORO COMMUNITY SCHOOL DISTRICT  
WARREN COUNTY  
JUNE 30, 2002

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

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

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





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**SPRINGBORO COMMUNITY SCHOOL DISTRICT**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2003**