



Mary Taylor, CPA
Auditor of State

**Springfield Local School District
Summit County, Ohio**

**Financial Forecast
For the Fiscal Year Ending June 30, 2007**

Local Government Services Section

Springfield Local School District
Summit County

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Board of Education
Springfield Local School District
2960 Sanitarium Road
Akron, Ohio 44312

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Springfield Local School District, Summit County, Ohio, and issued a report dated April 12, 2007. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2007 of \$1,912,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2008 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2007.

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in black ink that reads "Peter R. Sorem".

Peter R. Sorem
Chief of Local Government Services

May 15, 2007

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Board of Education
Springfield Local School District
2960 Sanitarium Road
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Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Springfield Local School District for the fiscal year ending June 30, 2007. The Springfield Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Springfield Local School District for the fiscal years ended June 30, 2004, 2005 and 2006 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 12, 2007

SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 THROUGH 2006 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2007 FORECASTED
GENERAL FUND

| | Fiscal Year 2004 Actual | Fiscal Year 2005 Actual | Fiscal Year 2006 Actual | Fiscal Year 2007 Forecasted |
|---|----------------------------|----------------------------|----------------------------|--------------------------------|
| Revenues | | | | |
| General Property Taxes | \$9,597,000 | \$9,630,000 | \$10,180,000 | \$10,635,000 |
| Tangible Personal Property Taxes | 2,701,000 | 2,649,000 | 2,689,000 | 2,049,000 |
| Unrestricted Grants-in-Aid | 8,123,000 | 8,409,000 | 8,209,000 | 8,180,000 |
| Restricted Grants-in-Aid | 194,000 | 224,000 | 251,000 | 825,000 |
| Property Tax Allocation | 1,421,000 | 1,437,000 | 1,546,000 | 2,174,000 |
| All Other Revenues | 2,806,000 | 3,049,000 | 2,631,000 | 2,795,000 |
| <i>Total Revenues</i> | <u>24,842,000</u> | <u>25,398,000</u> | <u>25,506,000</u> | <u>26,658,000</u> |
| Other Financing Sources | | | | |
| Proceeds from Sale of Notes | 0 | 0 | 0 | 1,667,000 |
| Advances In | 47,000 | 170,000 | 154,000 | 133,000 |
| <i>Total Other Financing Sources</i> | <u>47,000</u> | <u>170,000</u> | <u>154,000</u> | <u>1,800,000</u> |
| <i>Total Revenues and Other Financing Sources</i> | <u>24,889,000</u> | <u>25,568,000</u> | <u>25,660,000</u> | <u>28,458,000</u> |
| Expenditures | | | | |
| Personal Services | 14,350,000 | 15,275,000 | 15,723,000 | 15,734,000 |
| Employees' Retirement/Insurance Benefits | 4,515,000 | 4,927,000 | 5,289,000 | 6,410,000 |
| Purchased Services | 4,242,000 | 4,701,000 | 5,099,000 | 5,184,000 |
| Supplies and Materials | 899,000 | 850,000 | 689,000 | 621,000 |
| Capital Outlay | 94,000 | 192,000 | 59,000 | 60,000 |
| Debt Service: | | | | |
| Principal-Notes | 0 | 0 | 0 | 1,667,000 |
| Principal-Energy Conservation Bond | 50,000 | 53,000 | 56,000 | 59,000 |
| Interest | 48,000 | 45,000 | 42,000 | 118,000 |
| Other Objects | 673,000 | 489,000 | 691,000 | 738,000 |
| <i>Total Expenditures</i> | <u>24,871,000</u> | <u>26,532,000</u> | <u>27,648,000</u> | <u>30,591,000</u> |
| Other Financing Uses | | | | |
| Operating Transfers Out | 25,000 | 44,000 | 0 | 0 |
| Advances Out | 170,000 | 154,000 | 133,000 | 130,000 |
| <i>Total Other Financing Uses</i> | <u>195,000</u> | <u>198,000</u> | <u>133,000</u> | <u>130,000</u> |
| <i>Total Expenditures and Other Financing Uses</i> | <u>25,066,000</u> | <u>26,730,000</u> | <u>27,781,000</u> | <u>30,721,000</u> |
| <i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i> | (177,000) | (1,162,000) | (2,121,000) | (2,263,000) |
| Cash Balance July 1 | 4,152,000 | 3,975,000 | 2,813,000 | 692,000 |
| Cash Balance (Deficit) June 30 | <u>3,975,000</u> | <u>2,813,000</u> | <u>692,000</u> | <u>(1,571,000)</u> |
| Encumbrances and Reserves: | | | | |
| Actual/Estimated Encumbrances June 30 | 386,000 | 323,000 | 258,000 | 250,000 |
| Reserves for: | | | | |
| Budget Stabilization | 108,000 | 108,000 | 108,000 | 0 |
| Capital Improvements | 0 | 0 | 0 | 38,000 |
| DPIA/Poverty Based Assistance | 17,000 | 21,000 | 53,000 | 53,000 |
| Total Encumbrances and Reserves of Fund Balance | <u>511,000</u> | <u>452,000</u> | <u>419,000</u> | <u>341,000</u> |
| Unencumbered/Unreserved Fund Balance (Deficit) June 30 | <u>\$3,464,000</u> | <u>\$2,361,000</u> | <u>\$273,000</u> | <u>(\$1,912,000)</u> |

See accompanying summary of significant forecast assumptions and accounting policies
See accountant's report

Springfield Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Note 1 – The School District

The Springfield Local School District (the School District) is located in Summit and Portage Counties and encompasses all of Springfield Township and the Village of Lakemore. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District operates five elementary schools, one middle school and one high school. The School District is staffed by 134 non-certified and 202 certificated personnel to provide services to 2,877 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Springfield Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of April 12, 2007, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance fund, disadvantaged pupil impact aid (DPIA) fund and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Springfield Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

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

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

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

Springfield Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Summit County Fiscal Officer, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Springfield Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in businesses which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county fiscal officer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Summit County Fiscal Officer and the Portage County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2006 (the collection year) for real and public utility property taxes represents collections of 2005 taxes (the tax year). Property tax payments received during calendar year 2006 for tangible personal property (other than public utility property) are for calendar year 2006 taxes. First half calendar year tax collections are received by the

Springfield Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation". Beginning in tax year 2005, collection year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. The change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

The forecast excludes the receipt of any advances against fiscal year 2008 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted deficit fund balance may be decreased to the extent advances are received prior to June 30, 2007, and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2007.

The property tax revenues for the general fund are generated from several levies. The levies for the general fund, the year approved, last year of collection, and the full tax rate are as follows:

| Tax Levies | Year Approved | Last Calendar Year of Collection | Full Tax Rate (Per \$1,000 of Assessed Valuation) |
|--------------------------------------|------------------|--|---|
| Inside Ten Mill Limitation (Unvoted) | n/a | n/a | \$5.50 |
| Continuing Operating | 1976 | n/a | 24.00 |
| Current Expense | 2004 | 2009 | 7.00 |
| Emergency (\$1,500,000) | 2005 | 2010 | 3.18 |
| Emergency (\$1,600,000) | 2004 | 2009 | 3.38 |
| Emergency (\$930,000) | 2004 | 2009 | 1.97 |
| Total Tax Rate | | | <u>\$45.03</u> |

The School District also has a levy for permanent improvements totaling \$1.80 per \$1,000 of assessed valuation. The School District's total rate is \$46.83 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the General Fund, the effective residential and agricultural real property tax rate is at \$28.53 per \$1,000 of assessed valuation for collection year 2007, and the effective commercial and industrial real property tax rate is \$31.77 per \$1,000 of assessed valuation for collection year 2007. Because the School District's general fund millage less emergency levies is at the 20 mill floor, the general fund property tax

Springfield Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

revenues from real estate will increase as real property valuations increase due to the reappraisal of real property.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue and are based upon information provided by the Summit County Fiscal Officer and the Portage County Auditor. The School District anticipates an increase of \$455,000 from the prior fiscal year due to new construction and the 2005 triennial update because the School District is at the 20 mill floor for residential and agricultural real property.

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on business inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 will phase out by 25 percent each year tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period, will lose approximately \$2,700,000 when the tangible personal property tax is completely phased out in 2009. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

Tangible personal property tax revenues include actual October 2006 and the estimated June 2007 personal property tax settlements. The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes.

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid represent State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and

Springfield Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

technical education, and transportation. Other programs such as parity aid and excess cost supplement which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2004. The per pupil foundation level for fiscal years 2004 through 2007 is as follows:

| Fiscal Year | Per Pupil Foundation Level |
|----------------|-------------------------------|
| 2004 | \$5,058 |
| 2005 | 5,169 |
| 2006 | 5,283 |
| 2007 | 5,403 |

The anticipated unrestricted grants-in-aid for fiscal year 2007 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the March school foundation statement for fiscal year 2007 and the amounts for the last three fiscal years are as follows:

| | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Actual Fiscal Year 2006 | Forecasted Fiscal Year 2007 | Variance Increase (Decrease) |
|---|-------------------------------|-------------------------------|-------------------------------|-----------------------------------|------------------------------------|
| Formula Aid | \$6,019,000 | \$5,950,000 | \$5,854,000 | \$5,814,000 | (\$40,000) |
| Categorical Funding | 893,000 | 884,000 | 925,000 | 932,000 | 7,000 |
| Transportation | 664,000 | 678,000 | 717,000 | 729,000 | 12,000 |
| Parity Aid | 387,000 | 515,000 | 492,000 | 507,000 | 15,000 |
| Excess Cost Supplement | 116,000 | 222,000 | 286,000 | 296,000 | 10,000 |
| Foundation Adjustments | 44,000 | 160,000 | (65,000) | (98,000) | (33,000) |
| Total Unrestricted Grants-in-Aid | \$8,123,000 | \$8,409,000 | \$8,209,000 | \$8,180,000 | (\$29,000) |

Formula aid is anticipated to decrease from the prior fiscal year because of increases in assessed valuations and a decrease in ADM of 18. The decrease is offset by the formula aid guarantee, an increase in per-pupil funding and the add-on building blocks. The add-on building blocks added \$40 per pupil in fiscal year 2006 and \$48 per pupil in fiscal year 2007. The cost of doing business factor was reduced by one-third in fiscal year 2006 and by another one-third in fiscal year 2007. Categorical funding increased due to increases in special education. Parity aid was phased in with the percentage of distribution going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and 100 percent on fiscal year 2006.

The excess cost supplement aid establishes a 3.3-mill limit on the School District's share of combined funding for special education, vocational education and transportation. If the assumed local share of special and vocational weighted aid plus the assumed local share of transportation exceeds 3.3 mills times the School District's recognized valuation, the State pays the difference in excess cost supplement aid.

Springfield Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Other Adjustments represents the difference between the final settlement and a recalculation of the prior year's SF3 which takes into account corrections for ADM and open enrollment, community school adjustments and other items.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance/DPIA monies. For fiscal year 2007, the School District anticipates \$28,000 in bus purchase allowance, \$52,000 in career tech monies and \$745,000 in Poverty Based Assistance which replaced the DPIA program. Beginning in fiscal year 2007, the School District's Poverty Index exceeded one. The Poverty Index is a measure of the number of students coming from economically disadvantaged environments and is used to allocate poverty based assistance funds. The index is based on the School District's five year average of Ohio Works First (OWF) students, the School District's ADM, and the State's OWF percentage. Because the School District's poverty index exceeded one, Poverty Based Assistance increased \$574,000 of which \$550,000 is to be used for all day kindergarten and classroom reduction.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback on commercial and industrial real property and the corresponding reimbursement to local governments.

The State exempts the first \$10,000 in taxable value of tangible personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State was phasing out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August. For fiscal year 2007, the School District anticipates \$28,000 in public utility reimbursements based on information provided by the Ohio Department of Taxation.

Beginning in fiscal year 2006, the State will reimburse the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2007, the School District anticipates receiving \$964,000 of reimbursement for the tangible personal property tax phase out.

Springfield Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Property tax allocation revenues consist of the following:

| Revenue Sources | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Actual Fiscal Year 2006 | Forecasted Fiscal Year 2007 | Variance |
|--|-------------------------------|-------------------------------|-------------------------------|-----------------------------------|------------------|
| Homestead and Rollback | \$1,293,000 | \$1,306,000 | \$1,211,000 | \$1,143,000 | (\$68,000) |
| Tangible Personal Property Exempt | 88,000 | 78,000 | 62,000 | 39,000 | (23,000) |
| Utility Deregulation | 40,000 | 53,000 | 81,000 | 28,000 | (53,000) |
| Tangible Personal Property Loss Reimbursement | 0 | 0 | 192,000 | 964,000 | 772,000 |
| Totals | <u>\$1,421,000</u> | <u>\$1,437,000</u> | <u>\$1,546,000</u> | <u>\$2,174,000</u> | <u>\$628,000</u> |

E. - All Other Revenues

All other revenues include open enrollment, tuition, transportation, interest on investments, rentals, student class fees, Community Alternative Source Funding (CAFS) reimbursements, E-rate reimbursements and other revenue.

Open enrollment tuition revenue is expected to decrease from the prior fiscal year due to fewer students from other districts enrolling at Springfield Local School District.

Other tuition includes tuition for preschool, regular day school for court order students, summer school and special education. The increase is due to a larger number of special education and court order students.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is forecast to remain relatively consistent.

Rental revenue is expected to decrease due to fewer organizations using the School District's facilities.

Student class fees increased due to the School District implementing a pay-to-participate policy for its athletic, cheerleading and marching band programs effective November 8, 2006.

The CAFS program ended June 30, 2005 and the School District does not expect to receive any reimbursement during the forecast period.

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All other revenues consist of the following:

| | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Actual Fiscal Year 2006 | Forecasted Fiscal Year 2007 | Variance Increase (Decrease) |
|--------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------------------|------------------------------------|
| Open Enrollment Tuition | \$1,835,000 | \$1,854,000 | \$1,770,000 | \$1,731,000 | (\$39,000) |
| Other Tuition | 594,000 | 619,000 | 461,000 | 653,000 | \$192,000 |
| Extracurricular Transportation | 11,000 | 27,000 | 30,000 | 14,000 | (16,000) |
| Interest | 52,000 | 146,000 | 197,000 | 197,000 | 0 |
| Rentals | 104,000 | 70,000 | 58,000 | 50,000 | (8,000) |
| Student Class Fees | 20,000 | 19,000 | 20,000 | 80,000 | 60,000 |
| CAFS Reimbursements | 88,000 | 248,000 | 24,000 | 0 | (24,000) |
| E-Rate | 59,000 | 44,000 | 49,000 | 45,000 | (4,000) |
| Other | 43,000 | 22,000 | 22,000 | 25,000 | 3,000 |
| Totals | \$2,806,000 | \$3,049,000 | \$2,631,000 | \$2,795,000 | \$164,000 |

F. – Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2006, the School District issued \$1,667,000 in tax anticipation notes at 5.50 percent. The notes are to be repaid by June 30, 2007.

Advances In – During fiscal year 2006, advances were made for a total of \$133,000 to other School District funds. For fiscal year 2007, those advances are expected to be repaid.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement. General fund staffing levels are as follows:

| | <u>June 2005</u> | <u>June 2006</u> | <u>April 2007</u> |
|---------------|------------------|------------------|-------------------|
| Certified | 229 | 225 | 202 |
| Classified | 157 | 173 | 134 |
| Totals | 386 | 398 | 336 |

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The contract covers the period August 21, 2004 to August 20, 2007, and allows for a 3.25 percent increase in the base salary each year of the contract as well as step increases ranging from 2.8 to 6.1 percent in each year of the contract. The staff reductions were accomplished within the first quarter of fiscal year 2007.

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Classified salaries are based on two negotiated contracts which includes base and step increases. The contracts cover the period July 1, 2005 to June 30, 2010. The contracts allow for a 3.25 percent increase in the base salary for fiscal years 2006 and 2007 and wage and benefit re-openers for fiscal years 2008 through 2010 as well as step increases ranging from 2.9 to 3.2 percent in each year of the contracts. The staff reductions were accomplished within the first quarter of fiscal year 2007.

The general fund forecasted salaries were calculated by adding actual 2007 fiscal year to date amounts as of March 16, 2007 to a sample payroll multiplied by the remaining number of pay dates for the fiscal year.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees is equal to thirty percent of their unused sick leave but not to exceed a total of 54 days. Severance pay paid to classified employees leaving with ten or more years of service and not retiring is equal to one fourth of their unused sick leave but not to exceed 45 days paid. Payments to classified employees retiring from the School District are equal to one fourth of their unused sick leave not to exceed 55 days. Severance costs are anticipated to increase due to the retirement of more staff members during the forecast period compared with fiscal year 2006.

The School District offers a retirement incentive to any classified employee who qualifies for and retires from the School District. A written notice to the superintendent stating their intention to retire by March 1 of the year they first become eligible to retire under SERS is required. The incentive is equal to 25 percent of their salary at the time of retirement or a lump sum payment equal to 70 percent of their accrued sick leave not to exceed 100 days, multiplied by the final highest per diem rate. One half of this benefit is paid within one month of retirement and the balance is paid one year after the date of retirement.

Presented below is a comparison of salaries and wages for fiscal year 2004, 2005 and 2006 and the forecast period.

| | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Actual Fiscal Year 2006 | Forecast Fiscal Year 2007 | Variance Increase (Decrease) |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Certified Salaries | \$10,409,000 | \$11,117,000 | \$11,463,000 | \$11,553,000 | \$90,000 |
| Classified Salaries | 2,761,000 | 2,925,000 | 3,020,000 | 2,987,000 | (33,000) |
| Substitute Salaries | 795,000 | 766,000 | 844,000 | 776,000 | (68,000) |
| Supplemental Contracts | 255,000 | 267,000 | 284,000 | 265,000 | (19,000) |
| Severance and Retirement Incentive | 75,000 | 132,000 | 69,000 | 124,000 | 55,000 |
| Other Salaries and Wages | 55,000 | 68,000 | 43,000 | 29,000 | (14,000) |
| Totals | <u>\$14,350,000</u> | <u>\$15,275,000</u> | <u>\$15,723,000</u> | <u>\$15,734,000</u> | <u>\$11,000</u> |

B. – Employees’ Retirement/Insurance Benefits

Employees’ retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers’ contribution rate of 14 percent of salaries for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next

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calendar year. The School District pays the employee retirement contributions for its superintendent and treasurer. The increase that appears on the schedule below is due to an increase in certified salaries as well as the School District paying for an adjustment from the fiscal year 2006 wage amount.

Health care, dental, vision and life insurance rates are fixed by the Board of Education on a fiscal year basis. The monthly payments for health care benefits are as follows:

| Coverage: | Effective April 1, 2005 | Effective April 1, 2006 | Effective April 1, 2007 |
|------------------|----------------------------|----------------------------|----------------------------|
| Family | \$894.43 | \$992.80 | \$1,076.75 |
| Single | 337.37 | 373.53 | 404.23 |

Health care costs are based on the estimated claims and administrative charges for the School District's self-insured health care program. The self-insured health care program includes medical/surgical, vision and dental care. The increase in health care costs is due to an increase in rates. In addition, during fiscal year 2006 the School District had two premium holidays where the School District made no payments into the self insurance fund. The School District anticipates no premium holidays for fiscal year 2007.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District chooses that option. The premium for calendar year 2006, due in May 2007, increased from \$1.49 per hundred dollars of payroll to \$1.50 per hundred dollars of payroll. The increase is forecasted due to an increase in the 2006 calendar year salaries and wages paid and an increase in the workers' compensation rate for fiscal year 2007. In 2004 and 2005, the State Workers' Compensation System granted all local government employers a premium reduction of 20 percent.

Presented below is a comparison of fiscal years 2004, 2005, 2006 and the forecast period:

| | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Actual Fiscal Year 2006 | Forecast Fiscal Year 2007 | Variance Increase (Decrease) |
|----------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Employer's Retirement | \$2,216,000 | \$2,194,000 | \$2,363,000 | \$2,577,000 | \$214,000 |
| Health Care/Life Insurance | 2,045,000 | 2,510,000 | 2,565,000 | 3,380,000 | 815,000 |
| Workers' Compensation | 94,000 | 50,000 | 171,000 | 252,000 | 81,000 |
| Medicare | 150,000 | 166,000 | 181,000 | 189,000 | 8,000 |
| Unemployment | 10,000 | 7,000 | 9,000 | 12,000 | 3,000 |
| Totals | <u>\$4,515,000</u> | <u>\$4,927,000</u> | <u>\$5,289,000</u> | <u>\$6,410,000</u> | <u>\$1,121,000</u> |

C. - Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

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| | Actual Fiscal Year 2004 | Actual Fiscal Year 2005 | Actual Fiscal Year 2006 | Forecast Fiscal Year 2007 | Variance Increase (Decrease) |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------|------------------------------------|
| Professional and Technical Services | \$311,000 | \$341,000 | \$386,000 | \$355,000 | (\$31,000) |
| Property Services | 288,000 | 323,000 | 321,000 | 288,000 | (33,000) |
| Travel and Meeting Expenses | 126,000 | 136,000 | 134,000 | 135,000 | 1,000 |
| Communication Costs | 78,000 | 99,000 | 108,000 | 115,000 | 7,000 |
| Utility Services | 673,000 | 767,000 | 912,000 | 920,000 | 8,000 |
| Tuition Payments | 2,006,000 | 2,208,000 | 2,369,000 | 2,513,000 | 144,000 |
| Pupil Transportation | 13,000 | 11,000 | 53,000 | 60,000 | 7,000 |
| Pupil Transportation-Bus Contract | 747,000 | 773,000 | 751,000 | 723,000 | (28,000) |
| Other Purchased Services | 0 | 43,000 | 65,000 | 75,000 | 10,000 |
| Totals | <u>\$4,242,000</u> | <u>\$4,701,000</u> | <u>\$5,099,000</u> | <u>\$5,184,000</u> | <u>\$85,000</u> |

Professional and technical services decreased due to a decrease in external assistance programs in the School District. Property services decreased due to fewer repairs being completed in the current fiscal year. Tuition payments will increase primarily due to the School District losing students to other districts and community schools. The School District contracts out bus service for the School District. During the current fiscal year, the School District eliminated bus service for all high school students and students who live within a two mile radius of the School District buildings which reduced the use of buses from 28 to 18.

D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

| | Fiscal Year 2004 | Fiscal Year 2005 | Fiscal Year 2006 | Fiscal Year 2007 | Increase (Decrease) |
|--|---------------------|---------------------|---------------------|---------------------|------------------------|
| General Supplies, Library Books and Periodicals | \$309,000 | \$337,000 | \$249,000 | \$267,000 | \$18,000 |
| Operations, Maintenance and Repair | 250,000 | 303,000 | 275,000 | 271,000 | (4,000) |
| Textbooks | 340,000 | 210,000 | 165,000 | 83,000 | (82,000) |
| Totals | <u>\$899,000</u> | <u>\$850,000</u> | <u>\$689,000</u> | <u>\$621,000</u> | <u>(\$68,000)</u> |

Supplies and materials are forecasted to decrease due to the School District operating fiscal year 2007 with fewer supplies and not purchasing textbooks during the current fiscal year because of its financial condition.

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2007, the School District is forecasting \$60,000 in equipment which is consistent with the prior fiscal year. The School District has a permanent improvement fund that generates approximately \$346,000 annually. The School District uses this fund to make most major capital expenditures.

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F. – Debt Service

The outstanding balances and fiscal year 2007 principal and interest payments for general fund supported debt consists of the following:

| <u>Type</u> | <u>Maturity Date</u> | <u>Balance at 6/30/2006</u> | <u>Fiscal Year 2007 Principal Payment</u> | <u>Fiscal Year 2007 Interest Payment</u> |
|--------------------------|----------------------|---------------------------------|---|--|
| Tax Anticipation Notes | June 30, 2007 | \$0 | \$1,667,000 | \$79,000 |
| Energy Conservation Bond | December 1, 2014 | 680,000 | 59,000 | 39,000 |
| Total | | <u>\$680,000</u> | <u>\$1,726,000</u> | <u>\$118,000</u> |

During fiscal year 2007, the School District issued \$1,667,000 in tax anticipation notes at 4.75 percent due on June 29, 2007. State law requires these notes to be paid off before the end of the fiscal year.

In fiscal year 2000, the School District issued \$955,578 in energy conversation notes at 5.91 percent. These notes are being repaid with property taxes over a fifteen year period.

G. - Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$738,000. The \$47,000 increase from fiscal year 2006 is due to an increase in audit fees, auditor and treasurer fees, and election expenses.

H. - Operating Transfers and Advances Out

For fiscal year 2007, \$130,000 in advances are anticipated to be made. The funds expected to need advances are the food service fund for \$40,000 and grant funds totaling \$90,000.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2006 were \$258,000 and are forecasted at \$250,000 for June 30, 2007.

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by

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similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

A. – Budget Stabilization

Effective April 10, 2001, Amended Senate Bill 345, deleted from law the requirement for school districts to establish a reserve for budget stabilization. During fiscal year 2007, the School District's budget reserve of \$108,000 will be used to reduce the deficit.

B. – Textbooks and Instructional Materials Set-Aside

The set-aside amount for fiscal year 2007 is \$444,000. The School District had excess expenditures of \$15,000 from fiscal year 2006. The School District anticipates \$451,000 in qualifying expenditures consisting of supplies, textbooks, library books and periodicals during the current fiscal year. Therefore, no reserve amount is forecasted for textbooks and instructional materials.

C. – Capital and Maintenance Set-Aside

The set-aside amount for fiscal year 2007 is \$444,000. The School District anticipates \$346,000 in offsets and \$60,000 in qualifying expenditures during the current fiscal year. This leaves a \$38,000 reserve balance forecasted for capital and maintenance.

D. – Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2006, the School District had \$53,000 in unspent DPIA/Poverty Based Assistance monies. The School District anticipates receiving \$745,000 in restricted Poverty Based Assistance monies during fiscal year 2007 and having \$745,000 in Poverty Based Assistance expenditures during the current fiscal year. This leaves a \$53,000 reserve balance for Poverty Based Assistance is forecasted.

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The School District has a 9.48 mill, five year emergency levy on the ballot May 8, 2007 that is expected to generate \$3,578,000 annually. The type of levy, millage amount, term and election results are as follows:

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| Date | Type | Amount | Term | Election Results |
|------------------|-----------------------|-------------|---------|---------------------|
| May 4, 1999 | Emergency | \$1,200,000 | 5 Years | Failed |
| August 3, 1999 | Emergency | 1,200,000 | 5 Years | Failed |
| November 2, 1999 | Emergency | 1,200,000 | 5 Years | Failed |
| March 7, 2000 | Emergency | 1,600,000 | 5 Years | Passed |
| August 8, 2000 | Current Expense | 7.00 mills | 5 Years | Passed |
| August 8, 2000 | Emergency | 930,000 | 5 Years | Passed |
| November 7, 2000 | Permanent Improvement | 1.80 mills | 5 Years | Passed |
| November 7, 2000 | Emergency | 1,500,000 | 5 Years | Passed |
| November 2, 2004 | Current Expense | 7.00 mills | 5 Years | Passed |
| November 2, 2004 | Emergency (Renewal) | 1,600,000 | 5 Years | Passed |
| November 2, 2004 | Emergency (Renewal) | 930,000 | 5 Years | Passed |
| November 8, 2005 | Permanent Improvement | 1.80 mills | 5 Years | Passed |
| November 8, 2005 | Emergency (Renewal) | 1,500,000 | 5 Years | Passed |
| May 2, 2006 | Emergency | 4,000,000 | 5 Years | Failed |
| August 8, 2006 | Emergency | 3,865,000 | 5 Years | Failed |
| November 7, 2006 | Emergency | 3,697,000 | 5 Years | Failed |

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 – Employee Benefits Self-Insurance Fund

The School District provides medical/surgical, vision and dental benefits through a self-insurance program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of \$75,000 to \$1,000,000 per person, per year. The School District anticipates the costs of claims to increase throughout the fiscal year. The School District anticipates the premiums during fiscal year 2007 to be sufficient to cover the claims and administrative costs.



Mary Taylor, CPA
Auditor of State

SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 16, 2007