Mary Taylor, CPA
Auditor of State

Springfield Local School District
Summit County, Ohio

Financial Forecast
For the Fiscal Year Ending June 30, 2009

Local Government Services Section

Springfield Local School District
Summit County

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Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

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 3316.08, 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 September 24, 2008. 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, 2009 of $143,000.

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 2010 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 2009.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision Commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

MARY TAYLOR, CPA
Auditor of State

Peter R. Sorem

Peter R. Sorem
Chief of Local Government Services

November 5, 2008

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Mary Taylor, CPA
Auditor of State

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

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, 2009. 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 management'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, 2006, 2007 and 2008 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. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Mary Taylor

Mary Taylor, CPA
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September 24, 2008

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SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 THROUGH 2008 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2009 FORECASTED
GENERAL FUND

	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Forecasted
Revenues				
General Property Taxes	$10,180,000	$10,644,000	$10,737,000	$10,237,000
Tangible Personal Property Taxes	2,689,000	2,078,000	1,494,000	698,000
Unrestricted Grants-in-Aid	8,209,000	8,209,000	8,351,000	8,266,000
Restricted Grants-in-Aid	251,000	883,000	714,000	722,000
Property Tax Allocation	1,546,000	2,113,000	2,659,000	3,293,000
All Other Revenues	2,631,000	2,857,000	2,534,000	2,339,000
Total Revenues	25,506,000	26,784,000	26,489,000	25,555,000
Other Financing Sources				
Proceeds from Sale of Notes	0	1,667,000	2,000,000	0
Solvency Assistance Advance	0	1,912,000	0	0
Advances In	154,000	133,000	196,000	178,000
Total Other Financing Sources	154,000	3,712,000	2,196,000	178,000
Total Revenues and Other Financing Sources	25,660,000	30,496,000	28,685,000	25,733,000
Expenditures				
Personal Services	15,723,000	15,712,000	14,111,000	13,017,000
Employees' Retirement/Insurance Benefits	5,289,000	6,289,000	5,525,000	5,870,000
Purchased Services	5,099,000	4,665,000	4,815,000	5,063,000
Supplies and Materials	689,000	569,000	395,000	425,000
Capital Outlay	59,000	60,000	10,000	10,000
Debt Service:				
Principal-Notes	0	1,667,000	2,000,000	0
Principal-Solvency Assistance Advance	0	0	956,000	956,000
Principal-Energy Conservation Bond	56,000	59,000	63,000	67,000
Interest	42,000	117,000	40,000	31,000
Other Objects	691,000	729,000	744,000	687,000
Total Expenditures	27,648,000	29,867,000	28,659,000	26,126,000
Other Financing Uses				
Operating Transfers Out	0	0	0	172,000
Advances Out	133,000	196,000	178,000	178,000
Total Other Financing Uses	133,000	196,000	178,000	350,000
Total Expenditures and Other Financing Uses	27,781,000	30,063,000	28,837,000	26,476,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,121,000)	433,000	(152,000)	(743,000)
Cash Balance July 1	2,813,000	692,000	1,125,000	973,000
Cash Balance June 30	692,000	1,125,000	973,000	230,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	258,000	503,000	223,000	223,000
Reserves for:				
Budget Stabilization	108,000	0	0	0
DPIA/Poverty Based Assistance	53,000	119,000	218,000	150,000
Total Encumbrances and Reserves of Fund Balance	419,000	622,000	441,000	373,000
Unencumbered/Unreserved Fund Balance June 30	$273,000	$503,000	$532,000	($143,000)

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

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 four elementary schools, one middle school and one high school. The School District is staffed by 86 non-certified and 180 certificated personnel to provide services to 2,700 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 September 24, 2008, 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 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.

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 that 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 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 and treasurer. 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 2008 (the collection year) for real and public utility property taxes represents collections of 2007 taxes (the tax year). Property tax payments received during calendar year 2008 for tangible personal property (other than public utility property) are for calendar year 2008 taxes. First half calendar year tax collections are received by the 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 collection year 2006, the State eliminated the ten percent rollback on commercial and industrial property. This change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2010 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 2009.

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

Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per $1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	$5.50
Continuing Operating	1976	n/a	n/a	24.00
Current Expense (1992)	2004	2005	2009	7.00
Emergency ($1,600,000)	2004	2005	2009	3.79
Emergency ($930,000)	2004	2005	2009	2.20
Emergency ($1,500,000)	2005	2006	2010	3.56
Total Tax Rate				$46.05

The School District also has a levy for permanent improvements totaling $1.80 per $1,000 of assessed valuation. The School District's total tax rate is $47.85 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 $20.00 per $1,000 of assessed valuation for collection year 2009, and the effective commercial and industrial real property tax rate is $23.18 per $1,000 of assessed valuation for collection year 2009. Because the School District's general fund effective millage for residential and agricultural property is at the 20 mill floor, the general fund property tax revenues from real estate will change as real property valuations change due to the reappraisal of real property. A reappraisal took place in Summit County tax year 2008, which resulted in slightly lower valuations due to the decline in the local housing market.

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 began a four year phase out of 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).

<u>General Property Tax</u> - 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 is based upon information provided by the Summit County Fiscal Officer and the Portage County Auditor. The School District anticipates a decrease of $500,000 from the prior fiscal year primarily due to the School District receiving an advance of fiscal year 2009 tax revenue in fiscal year 2008 in the amount of $215,000. A slight decrease is also forecasted in general property tax revenue due to lower valuations after the tax year 2008 reappraisal in Summit County.

<u>Tangible Personal Property Tax</u> – 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 23 percent 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 annually 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 estimated October 2008 and June 2009 personal property tax settlements. The October 2008 tangible personal property tax settlement is the last property tax settlement for general personal property taxes. The June 2009 personal property tax settlement is for telephone property only. 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 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 less the equivalent of 23 mills times the school district's taxable property valuation. In prior years, the per pupil foundation amount was increased by a regional cost of doing business factor. The cost of doing business factor was phased out by one-third each year beginning in fiscal year 2006. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2005. The per pupil amount for fiscal years 2008 and 2009 was increased by three percent. Beginning in fiscal year 2008, the per pupil amount is increased by four base-supplements called "building blocks". The building blocks are funding for intervention, professional development, data base decision making and professional development for database decision. The per pupil amount for fiscal years 2006 to 2009 is as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2006	$5,283	$0	$5,283
2007	5,403	0	5,403
2008	5,565	49	5,614
2009	5,732	51	5,783

The anticipated unrestricted grants-in-aid for fiscal year 2009 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the August school foundation statement for fiscal year 2009 and the amounts for the last three fiscal years are as follows:

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecasted Fiscal Year 2009	Variance Increase (Decrease)
Formula Aid	$5,854,000	$5,793,000	$4,599,000	$5,146,000	$547,000
Categorical Funding	925,000	923,000	829,000	912,000	83,000
Transportation	717,000	728,000	771,000	777,000	6,000
Parity Aid	492,000	515,000	29,000	91,000	62,000
Excess Cost Supplement	286,000	279,000	303,000	298,000	(5,000)
Transitional Aid Guarentee	0	0	1,854,000	1,080,000	(774,000)
Foundation Adjustments	(65,000)	(29,000)	(34,000)	(38,000)	(4,000)
Total Unrestricted Grants-in-Aid	$8,209,000	$8,209,000	$8,351,000	$8,266,000	($85,000)

Formula aid is anticipated to increase from the prior fiscal year due to a decrease in assessed valuation and an increase in per pupil funding. The School District anticipates that the number of pupils will remain consistent with fiscal year 2008. In fiscal year 2008, there was a significant decrease in students which caused formula aid to decrease as compared to fiscal year 2007. Categorical funding increased due to increases in special education funding. The increase in formula aid was offset by a decrease in the transitional aid guarantee, which ensures 100 percent of the prior year's base revenue is received.

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.

The School District anticipates receiving the transitional aid guarantee in fiscal year 2009. This aid guarantees that the School District will receive at least the same amount of base formula aid as the prior year.

Foundation 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, special education catastrophic aid and Poverty Based Assistance/DPIA monies. For fiscal year 2009, the School District anticipates $7,000 in bus purchase allowance, $49,000 in career tech monies, $51,000 in special education catastrophic aid and $615,000 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 poverty index exceeded one, Poverty Based Assistance increased $573,000 in fiscal year 2007. The increase in this category for fiscal year 2009 is due to small increases in career tech monies and special education catastrophic aid.

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. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first $25,000 in market value from taxation. This expanded exemption will increase State allocation revenue and decrease property tax revenues by an equal amount. No increase has been included in intergovernmental revenues nor a decrease in property tax because the amount cannot yet be determined. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs.

The State used to exempt the first $10,000 in general business personal property from taxation and reimburse the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period was 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 and are identified as Utility Deregulation payments. For fiscal year 2009, the School District anticipates no public utility reimbursements based on information provided by the Ohio Department of Taxation.

In fiscal year 2006, the State began reimbursing 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, beginning in fiscal year 2012, the reimbursements are gradually 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 2009, the School District anticipates receiving $1,800,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecasted Fiscal Year 2009	Variance
Homestead and Rollback	$1,211,000	$1,082,000	$1,233,000	$1,477,000	$244,000
Tangible Personal Property Exemption	62,000	39,000	31,000	16,000	(15,000)
Utility Deregulation	81,000	28,000	0	0	0
Tangible Personal Property Loss Reimbursement	192,000	964,000	1,395,000	1,800,000	405,000
Totals	$1,546,000	$2,113,000	$2,659,000	$3,293,000	$634,000

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 from prior fiscal years, E-rate reimbursements and other revenue.

Open enrollment tuition revenue is expected to increase from the prior fiscal year due to an increase in the number of students from other school districts attending the School District.

Other tuition includes tuition for preschool, regular day school for court order students, summer school and special education. The decrease is due to a smaller 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 decrease, due to lower interest rates and less money available to invest.

Rental income increased due to the rental of Boyer Kindergarten Center to the Summit County Educational Service Center.

Student class fees decreased due to the School District rescinding a pay-to-participate policy for its athletic, cheerleading and marching band programs for fiscal year 2009. This policy was in place during a portion of fiscal year 2007 and all of fiscal year 2008.

The School District received $52,000 in reimbursements from the CAFS program during fiscal year 2008 but does not expect to receive any reimbursements during fiscal year 2009.

All other revenues consist of the following:

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecasted Fiscal Year 2009	Variance Increase (Decrease)
Open Enrollment Tuition	$1,770,000	$1,731,000	$1,355,000	$1,396,000	$41,000
Other Tuition	461,000	667,000	663,000	615,000	($48,000)
Extracurricular Transportation	30,000	24,000	25,000	26,000	1,000
Interest	197,000	234,000	153,000	110,000	(43,000)
Rentals	58,000	36,000	34,000	53,000	19,000
Student Class Fees	20,000	85,000	148,000	37,000	(111,000)
CAFS Reimbursements	24,000	0	52,000	0	(52,000)
E-Rate	49,000	45,000	42,000	39,000	(3,000)
Other	22,000	35,000	62,000	63,000	1,000
Totals	$2,631,000	$2,857,000	$2,534,000	$2,339,000	($195,000)

F. – Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2007, the School District issued $1,677,000 in tax anticipation notes at a 4.75 percent interest rate. The notes were repaid during fiscal year 2007. During fiscal year 2008, the School District issued $2,000,000 in tax anticipation notes at a 3.09 percent interest rate. The notes were repaid during fiscal year 2008.

Solvency Assistance Advance – During fiscal year 2007, the School District received a Solvency Assistance Fund Advance in the amount of $1,912,000 from the State. The State solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advance is repaid over two years from State foundation revenues.

Advances In – During fiscal year 2008, advances were made for a total of $178,000 to other School District funds. For fiscal year 2009, 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.

Staffing levels are displayed in the chart below. The amounts represent full time equivalents.

	2007	2008	2009
General Fund:			
Certified	202	181	163
Classified	134	76	71
Total General Fund:	336	257	234
Other Funds:			
Certified	24	21	17
Classified	33	17	15
Total Other Funds:	57	38	32
Totals	393	295	266

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, 2008 to August 20, 2009, and allows for no increase in the base salary but allows for step increases ranging from 2.7 to 5.8 percent for fiscal year 2009. Certified salaries are forecasted to decrease due to staff reductions of 18 positions that were effective for the start of the 2008-2009 school year. In prior fiscal years, certified staff received similar step increases as this year.

Classified salaries are based on two negotiated contracts which include base and step increases. The contracts cover the period July 1, 2005 to June 30, 2010. The contracts allowed for a 3.25 percent increase in the base salary for fiscal years 2006 and 2007 and no base increases for the remainder of the contract, wage and benefit re-openers for fiscal years 2010 and step increases ranging from 0 to 6.1 percent in each year of the contracts. Classified salaries are forecasted to decrease due to staff reductions of 5 positions that were made at the start of the 2008-2009 school year in addition to reductions that were made during fiscal year 2008.

Substitutes are forecasted to remain consistent with fiscal year 2008 for both certified and classified staffing.

In fiscal year 2008, the school enforced the pay-to-play policy which required students to pay an additional fee to participate in all sports. This lowered the number of students participating in sports, which led to a need for less coaching staff. In fiscal year 2009, the pay-to-play policy was rescinded and the number of athletes is forecasted to increase, resulting in the need for more coaching staff. This caused higher supplemental salaries for fiscal year 2009.

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 not to exceed a total of 54 days paid. 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 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 paid. Severance costs are anticipated to increase due to the retirement of more staff members during the forecast period as compared with fiscal year 2008.

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 the employee's intention to retire by March 1 of the year the employee first becomes eligible to retire under SERS is required. The incentive is equal to 25 percent of the employee's salary at the time of retirement or a lump sum payment equal to 70 percent of the employee's accrued sick leave not to exceed 100 days, multiplied by the 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 years 2006, 2007, and 2008 and the forecast period.

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecast Fiscal Year 2009	Variance Increase (Decrease)
Certified Salaries	$11,463,000	$11,553,000	$10,614,000	$9,816,000	($798,000)
Classified Salaries	3,020,000	2,983,000	2,476,000	2,092,000	(384,000)
Substitute Salaries	844,000	794,000	706,000	708,000	2,000
Supplemental Contracts	284,000	232,000	192,000	248,000	56,000
Severance and Retirement Incentive	69,000	118,000	113,000	144,000	31,000
Other Salaries and Wages	43,000	32,000	10,000	9,000	(1,000)
Totals	$15,723,000	$15,712,000	$14,111,000	$13,017,000	($1,094,000)

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 and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. 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 calendar year. The School District pays the employee retirement contributions for the superintendent and treasurer. The decrease in employer's retirement cost is due to a decrease in certified and classified salaries.

Health care, vision and dental insurance rates are fixed by the Board of Education on a yearly basis, from April to March. The monthly payments per insured for health care benefits are as follows:

Coverage:	Effective April 1, 2006	Effective April 1, 2007	Effective April 1, 2008
Family	$992.80	$1,076.75	$1,256.14
Single	373.53	404.23	471.21

The self-insured health care program includes medical/surgical, vision and dental care. Rates are based on recommended amounts from the School District's third party administrator. Typically, the Board of Education approves the recommended amounts. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. Although there are less employees in fiscal year 2009, the health insurance rates increased 16.6 percent over fiscal year 2008, resulting in an increase in health insurance premiums. In addition, the School District did not make the June 2008 insurance payment until July 2008. This means that 11 payments were made in fiscal year 2008, while 13 payments will be made in fiscal year 2009.

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 August. The School District chooses to make two payments. The premium for calendar year 2008, due in May 2009, is anticipated to be lower due to a reduction in force of employees in the School District.

For fiscal year 2009, unemployment increased over the prior fiscal year. This is due to a large reduction in force of employees for the 2009 fiscal year.

Presented below is a comparison of fiscal years 2006, 2007, 2008, and the forecast period:

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecast Fiscal Year 2009	Variance Increase (Decrease)
Employer's Retirement	$2,363,000	$2,570,000	$2,165,000	$1,821,000	($344,000)
Health Care/Life Insurance	2,565,000	3,258,000	2,846,000	3,530,000	684,000
Workers' Compensation	171,000	257,000	273,000	270,000	(3,000)
Medicare	181,000	190,000	173,000	160,000	(13,000)
Unemployment	9,000	14,000	68,000	89,000	21,000
Totals	$5,289,000	$6,289,000	$5,525,000	$5,870,000	$345,000

C. - Purchased Services

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

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecast Fiscal Year 2009	Variance Increase (Decrease)
Professional and Technical Services	$386,000	$339,000	$323,000	$325,000	$2,000
Property Services	321,000	293,000	274,000	290,000	16,000
Travel and Meeting Expenses	134,000	73,000	76,000	74,000	(2,000)
Communication Costs	108,000	73,000	74,000	91,000	17,000
Utility Services	912,000	730,000	626,000	773,000	147,000
Tuition Payments	2,369,000	2,415,000	2,840,000	2,852,000	12,000
Pupil Transportation	53,000	59,000	110,000	112,000	2,000
Pupil Transportation-Bus Contract	751,000	620,000	443,000	487,000	44,000
Other Purchased Services	65,000	63,000	49,000	59,000	10,000
Totals	$5,099,000	$4,665,000	$4,815,000	$5,063,000	$248,000

Professional and technical services remained consistent with the prior year due to a continued decrease in external assistance programs in the School District. Property services increased due to more repairs being completed in the current fiscal year. Utility services increased due to anticipated significant increases in the cost of natural gas. Tuition payments increased due to more students attending other school districts through open enrollment and more students attending community schools.

The School District contracts out bus service for the School District. During the current fiscal year, the School District added one extra bus causing an increase in pupil transportation.

D. - Supplies and Materials

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

	Actual Fiscal Year 2006	Actual Fiscal Year 2007	Actual Fiscal Year 2008	Forecast Fiscal Year 2009	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	$249,000	$215,000	$151,000	$151,000	$0
Operations, Maintenance and Repair	275,000	237,000	225,000	254,000	29,000
Textbooks	165,000	117,000	19,000	20,000	1,000
Totals	$689,000	$569,000	$395,000	$425,000	$30,000

Supplies and materials are forecasted to increase due to the anticipated increases in the cost of diesel fuel.

E. - Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2009, the School District is forecasting $10,000 in equipment expenditures, which is consistent with prior year expenditures. The School District has a permanent improvement fund that generates approximately $479,000, annually. The School District uses this fund to make most major capital expenditures.

F. – Debt Service

The outstanding balances and fiscal year 2009 principal and interest payments for general fund supported debt consists of the following:

Type	Maturity Date	Balance at 6/30/2008	Fiscal Year 2009 Principal Payment	Fiscal Year 2009 Interest Payment
Solvency Assistance Advance	June 30, 2009	$956,000	$956,000	$0
Energy Conservation Bond	December 1, 2014	558,000	67,000	31,000
Total		$1,514,000	$1,023,000	$31,000

During fiscal year 2007, the School District received $1,912,000 in a solvency assistance advance. The advance is repaid in full with State foundation monies in fiscal years 2009.

During fiscal years 2007 and 2008, the School District issued $1,667,000 and $2,000,000 in tax anticipation notes at 4.75 and 3.09 percent, respectively. These notes were repaid before the end of the respective fiscal years.

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 $687,000, which is lower than the prior fiscal year primarily because of fees charged for election expense in prior fiscal years.

H. - Operating Transfers and Advances Out

For fiscal year 2009, the School District anticipates transferring $172,000 from the general fund to the self-insurance fund. This transfer is to cover the cost of claims in excess of monthly premiums.

For fiscal year 2009, $178,000 in advances are anticipated to be made. Advances are made each year to the food service fund and various grant funds to cover deficits at year-end. Advances out to the food service fund are expected to be $71,000 and advances of $107,000 are forecasted to the grant funds. These advances are repaid in the following fiscal year when revenue is received.

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, 2008 were $223,000 and are forecasted at $223,000 for June 30, 2009.

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 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. – Textbooks and Instructional Materials Set-Aside

Under Sections 3315.17(B)(2) and 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the textbook set aside. The Board of Education by resolution has waived the set-aside requirement for fiscal year 2009; therefore no reserve amount is forecasted for textbooks and instructional materials.

B. – Capital Acquisition and Improvements Set-Aside

Under Sections 3315.17(B)(2) and 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the capital set aside. The Board of Education by resolution has waived the set-aside requirement for fiscal year 2009; therefore no reserve amount is forecasted for capital acquisition and improvements.

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

At June 30, 2008, the School District had $218,000 in unspent DPIA/Poverty Based Assistance monies. The School District anticipates receiving $693,000 in restricted Poverty Based Assistance monies during fiscal year 2009 and having $761,000 in Poverty Based Assistance expenditures during the current fiscal year. This leaves a $150,000 forecasted reserve balance for Poverty Based Assistance.

Note 10 - Levies

Since 1999, the School District has placed several levies on the ballot. The School District has no plans to place any levies on the ballot for fiscal year 2009. The type of levy, millage amount, term and election results are as follows:

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 (Renewal)	1,600,000	5 Years	Passed
August 8, 2000	Current Expense	7.00 mills	5 Years	Passed
August 8, 2000	Emergency (Renewal)	930,000	5 Years	Passed
November 7, 2000	Permanent Improvement	1.80 mills	5 Years	Passed
November 7, 2000	Emergency (Renewal)	1,500,000	5 Years	Passed
November 2, 2004	Current Expense (Renewal)	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
May 8, 2007	Emergency	3,578,000	5 Years	Failed
August 7, 2007	Emergency	3,578,000	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 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 2009 to not be sufficient to cover the claims and administrative costs. A transfer from the general fund to cover the excess claims is forecasted.

Note 13 – Financial Planning and Supervision Commission

On May 16, 2007, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Summit County Fiscal Officer. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education's discretion is limited in that all financial activity of the School District must in accordance with the plan.

The initial financial recovery plan was adopted on August 23, 2007 and under State law is to be updated annually. The updated recovery plan, adopted on July 24, 2008, includes the closing of Lakemore Elementary for fiscal year 2009. The closing of this school and the subsequent reorganizing of employees in the School District resulted in a reduction of 11 positions from the general fund. These positions were in addition to the reduction in force that was approved in April 2008 and effective for 2008-2009 school year.

Note 14 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in May 2008 covered fiscal years 2008 through 2012 and assumes the continued operation of the School District with no significant increases in revenues. The plan assumes no staff changes for fiscal years 2010 through 2012. The operating surplus increases from $745,877 for fiscal year 2010 to $835,396 for fiscal year 2011 and decreases for fiscal year 2012 to $753,046. The recovery plan adopted by the Board of Education and the Financial Planning and Supervision Commission does not address periods beyond fiscal year 2009. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of October 2008 and will cover fiscal years 2009 through 2013.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.

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
NOVEMBER 5, 2008

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