



Mary Taylor, CPA
Auditor of State

**Springfield City School District
Clark County, Ohio**

Fiscal Emergency Termination

Local Government Services Section

**Springfield City School District
Clark County**

Fiscal Emergency Termination

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Mary Taylor, CPA

Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Springfield City School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Springfield City School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Springfield City School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Springfield City School District Financial Planning and Supervision Commission and its role in the operation of the Springfield City School District is terminated as of March 19, 2009.

Accordingly, this report is hereby submitted to the Springfield City School District Board of Education, the Financial Planning and Supervision Commission, Ted Strickland, Governor, J. Pari Sabety, Director of the Office of Budget and Management, Warren R. Copeland, Mayor of the City of Springfield, and Deborah S. Delisle, State Superintendent of Public Instruction.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

March 19, 2009

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Springfield City School District – Clark County

**Report on Termination of the Springfield City School District
Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission of the Springfield City School District (the Commission), Clark County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated.

The Declaration of Fiscal Emergency

The Auditor of State certified an operating deficit in the amount of \$7,554,000 for the fiscal year ending June 30, 2005 and as a result declared Springfield City School District in Fiscal Watch on January 20, 2005. The Springfield City School District Board of Education in a Resolution dated February 10, 2005, acknowledged its inability to develop a financial recovery plan acceptable to the Superintendent of public Instruction and requested that the Springfield City School District be placed in fiscal emergency. The Auditor of State declared the Springfield City School District in Fiscal Emergency on February 28, 2005. The state of Fiscal Emergency was declared under Section 3316.03(B)(2) of the Ohio Revised Code and a Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 - Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Springfield City School District (the School District) and issued a Report on Accounting Methods, dated November 20, 2006. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

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Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct those issues identified in the Financial Accounting Report. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The School District should update its policy manual regarding its budgetary process. The manual should include policies that are designed to comply with Ohio Budgetary Law including the level at which the Board adopts appropriations and the nature of the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board. In addition, the policies should address the five-year forecast and the circumstances under which the Board wants the forecast updated in addition to the dates it is to be filed with Department of Education. The policies need not restate the statutory requirements. The policies should also require the Treasurer to report any occurrences of noncompliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board.

Implemented:

The School District updated its Fiscal Management policies on October 23, 2008. The budgetary policy includes discussion about the annual appropriations of the School District. The policy states that the Board may pass a temporary appropriation and that the Treasurer will file both the temporary and final appropriations with the County Auditor at the proper times. The policy also states that the appropriations, which are to be approved by the Board at the fund level, may receive line item increases as long as there is a corresponding decrease. The policy addresses the School District's five-year forecast and that it will be prepared twice a year and filed with the Ohio Department of Education, initially on October 31st and an update on May 31st. The policy also states that the five-year forecast will be updated as often as necessary in order to communicate significant changes in the School District's financial position. The policy states that the Treasurer should report any occurrences of noncompliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences to the Board during the Treasurer's monthly report.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer reconciles appropriations as passed by the Board to the accounting system; however, amendments to appropriations should be posted to the accounting system when they become effective, which is upon receipt of a certificate from the County Budget Commission indicating appropriations are within estimated resources.

Springfield City School District – Clark County

Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

Implemented:

The appropriations shown in the School District's accounting system correspond to the amounts appearing in the appropriations resolutions adopted by the Board and filed with the County Budget Commission.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should enter the estimated revenue in the accounting system. If the estimated revenue is revised, it should be entered upon receipt of an amended certificate of estimated resources from the County Budget Commission.

Implemented:

The estimated revenues shown in the School District's accounting system correspond to the amounts appearing on the amended certificate of estimated resources received from the County Budget Commission.

Auditor of State Comment from Report on Accounting Methods:

- In fiscal years 2005 and 2006, the School District had deficit fund cash balances contrary to Section 5705.10, Revised Code.

Implemented:

According to Ohio Revised Code Section 3315.20, which became effective March 31, 2007, a school district may have a deficit in any special fund if both of the following conditions are satisfied: (a) the district has a request for payment pending with the State sufficient to cover the amount of the deficit and there is a reasonable likelihood that the payment will be made and (b) the unspent and unencumbered balance in the district's general fund is greater than the aggregate of deficit amounts in all of the district's special funds.

The School District has addressed its deficit fund cash balances. Deficit cash balances were noted in at least one fund; however, the School District's general fund had an unencumbered balance that was greater than the deficit amounts in the special funds during the fiscal year. In addition, the School District had outstanding requests for payments with the Ohio Department of Education at month's end large enough to cover the deficits in each fund.

Auditor of State Comment from Report on Accounting Methods:

- Permanent appropriations for fiscal year 2005 exceeded estimated resources contrary to Section 5705.39, Revised Code. The Treasurer compares appropriations to estimated resources; however, this comparison should be presented to the Board when a request for appropriations or supplemental appropriations is made to demonstrate that the supplemental appropriations, if adopted, will still comply with budgetary requirements.

Implemented:

The comparison of appropriations to amounts available for spending is now provided to the Board within its monthly Board packet when supplemental appropriations are proposed.

Springfield City School District – Clark County

Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods:

- The Board adopts permanent appropriations prior to meeting the statutory criteria for the adoption of permanent appropriations. Section 5705.38, Revised Code, indicates that annual appropriations should be adopted by October 1 provided an amended certificate of estimated resources or a certification that no amended certificate need be issued has been received from the County Budget Commission (Refer to Auditor of State bulletin 98-012). Although the School District is requesting an amended certificate of estimated resources timely, the County Budget Commission is not responding to the request in a timely manner. The School District had been approving appropriations prior to receiving an amended certificate from the County Budget Commission causing the School District to be in violation of Ohio budgetary law.

Implemented:

The School District does not receive an amended certificate or a certification that no amended certificate need be issued from the county budget commission in a timely manner. In the absence of appropriate documentation from the county budget commission, the School District adopts its annual appropriations by October 1 each year.

Auditor of State Comment from Report on Accounting Methods:

- In the past, the County Budget Commission has taken two to three months to issue amended certificates of estimated resources. The Treasurer should continue to contact the County Budget Commission when a response to a request for an amended certificate is not received in a reasonable period of time. A delay in receiving an amended certificate may prevent the passage of appropriations or cause other unnecessary budgetary violations.

Implemented:

The School District still is not receiving amended certificates of estimated resources from the county budget commission in a timely manner. According to the Treasurer, it takes approximately a month to receive signed budgetary documents from the county budget commission. The School District continually contacts the county budget commission when documents are not received in a reasonable period.

Auditor of State Comment from Report on Accounting Methods:

- Under Section 5705.39, Revised Code, no appropriation measure is effective until the County Budget Commission files with the Board a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the official certificate or amended official certificate of estimated resources. Legally, the Treasurer cannot certify availability of appropriations for expenditures until the certificate is received from the County Budget Commission. The Treasurer should continue to contact the County Budget Commission when a certificate is not provided in a reasonable period of time.

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**Report on Termination of the Springfield City School District
Financial Planning and Supervision Commission**

Implemented:

The School District does not receive in a timely manner a certificate from the county auditor that total appropriations from each fund do not exceed the official or amended official certificate of estimated resources. The Treasurer compares the appropriations plus the proposed supplemental appropriations to the estimated resources and provides the comparison to the Board of Education when approval of appropriations is requested.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The School Age Child Care program deposits its collection once a week. The School Age Child Care program should deposit funds within twenty-four hours of receipt.

Implemented:

The School District has adopted a policy permitting deposits of less than \$1,000 to be deposited within the School District's designated depository within 72 hours of receipt. The School District has also documented the procedures to be followed by the School Age Child Care program for the receipt and deposit of monies. The procedures allow staff to deposit monies to the program office on Mondays and Thursdays of each week, unless the collected amount exceeds \$500. Based upon review of a receipt report that lists all deposits made by the School Age Child Care program for fiscal year 2009, the School Age Child Care program is complying with the documented procedures approved by the School District.

Auditor of State Comment from Report on Accounting Methods:

- The building Principal and Superintendent should ensure that all the Sales Potential forms are prepared and authorized.

Implemented:

The Sales Project Potential forms for fiscal year 2009 are prepared by an advisor and authorized by the principal and superintendent. The School District returns any incomplete forms to the proper individual for correction and resubmission.

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Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District should update the Board Policies for purchasing to address the role of the Treasurer and Superintendent, the use of purchase orders, the statutory certifications by the Treasurer, the use of quotes from vendors, and the consequences for failure to obtain the Treasurer's certification. The policies should also address regular, blanket, and super blanket purchase orders/certifications and then and now certifications.

Implemented:

The School District updated its Fiscal Management policies. The updated purchasing policy addresses the role of the Treasurer and Superintendent or his/her designee in the purchasing process. The policy also addresses the various types of purchase orders, detailing the use of blanket and super blanket purchase orders. The purchasing process addresses the use of quotes from vendors. The policy specifically states that, if feasible, all purchases over \$10,000 but under \$25,000 will be based on price quotations submitted by at least three vendors. Any purchases which exceed \$25,000 must be put to bid by law and any purchases under \$10,000 can be made without price quotations.

Auditor of State Comment from Report on Accounting Methods:

- The process of public notification of accepting bids and making the recommendation to the Assistant Superintendent was the job of the Executive Director of Business Services. The Board should update their policies covering bidding requirements to someone else since the Executive Director of Business Services position is vacant.

Implemented:

The School District updated its Fiscal Management policies. The updated purchasing policy states that the administrator responsible for purchasing will assemble the proper specifications and will make the necessary arrangements for public bidding and price quotations. The Treasurer will receive the bids and price quotations and will record them. The administrator responsible for purchasing will make his/her recommendations to the Superintendent for presentation to the Board. Upon approval of the Board, the administrator responsible for purchasing will process the purchase orders to those bidders awarded contracts and notify the other bidders of the results of the bidding.

Auditor of State Comment from Report on Accounting Methods:

- The School District should send an IRS form W-9 to all new vendors to complete and return.

Implemented:

The School District sends an IRS form W-9 to all new vendors to complete and return. Once the vendor returns the form to the School District, the School District files the form in a permanent vendor file.

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Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions involved and their functions. The document should also include procedures for invoices that exceed the purchase order amount. The document should be kept on file in the Treasurer's office.

Implemented:

The School District has documented its procedures for cash disbursements including the staff positions involved and their functions. The documented procedures include details for handling invoices which exceed the purchase order amount. The document is on file in the School District Treasurer's office.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods:

- Classified hourly employees complete a manual time sheet each pay period. The School District should use a mechanical or electronic time keeping device that records the start and ending time for these employees. Such device would need to be located in each building of the School District as there is no central location for all employees of the School District.

Implemented:

All classified employees of the School District are now utilizing the time keeping devices.

Capital Assets and Supplies Inventory

Auditor of State Comments from Report on Accounting Methods:

- The capital assets policy should be updated to address the depreciation method used and the estimated useful lives for capital assets.

Implemented:

The School District updated its Fiscal Management policies. The updated inventory policy addresses the depreciation method utilized by the School District and the estimated useful lives for capital assets.

Auditor of State Comments from Report on Accounting Methods:

- The School District records leased equipment after title has passed to the School District. The School District should record equipment leased under a capital lease in the capital assets accounting system at the inception of the lease.

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Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

Implemented:

The School District now records all assets leased under a capital lease within its capital assets accounting system.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should review the monthly reconciliation and supporting documentation and sign them.

Implemented:

The Treasurer has been initialing and dating the monthly reconciliations to indicate that she has reviewed them.

Auditor of State Comment from Report on Accounting Methods:

- The Board should revise and update the School District's investment policy and submit it to the Auditor of State of Ohio. The latest revision of the policy is March 2, 2006, but this latest revision has not been filed with the Auditor of State.

Implemented:

The School District filed its revised investment policy with the Auditor of State of Ohio on November 22, 2006.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- As soon as the financial audit is released, the audit report and the management letter should be distributed to all Board members rather than by request only. The Treasurer should also discuss the audit report with the Board.

Implemented:

The audit report and management letter are distributed to all Board members via e-mail and within the Board packet. The Treasurer presents the report and management letter to the Board.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer should provide the Board with a report that details, by fund, the revenues received by source and by month and year-to-date and a comparison of actual receipts against estimated receipts.

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Implemented:

A report comparing actual receipts to estimated receipts by fund is now being provided to the Board each month.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods:

- The School District should maintain an index of resolutions.

Implemented:

The School District maintains an index of all Board resolutions. The index is located in the front of the minutes book of the School District and is updated after each Board meeting.

Auditor of State Comment from Report on Accounting Methods:

- The School District's typed minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board's decisions. The School District also records the Board meetings on VHS tapes (old technology). Reliance on media to fulfill recording official proceedings requirements can be sufficient but the media must be able to withstand time (i.e. to be retained permanently) and provide accurate detail (i.e. who is speaking). The Board of Education's intent as to which method of record Board meetings is to be the official record is unclear.

The Supreme Court issued a decision in 2001 that involved a city council's audio taping of its meeting (*State ex rel. Long v. Council of the Village of Cardington*, 92 Ohio St. 3d 54; 2001 Ohio 103 (2001)). The Cardington Village Council used audio tapes to supplement the written minutes. The Court criticized that method because (1) the tapes would have to be maintained for the same length of time as the written minutes (not destroyed or taped over after the written minutes are approved) and (2) the taped minutes had inaudible portions and many times the speaker on the tape could not be identified. The Court determined that the written and audio minutes taken together did not constitute full and accurate minutes.

The Auditor of State's Office suggestions to public bodies who want to "tape" their minutes and maintain them as official minutes is to video tape the minutes, make sure all members of the public body have a microphone and to have name placards in front of each. Audio taping, in our opinion, should only be used to aid in the transcribing the minutes into written form. The written minutes should be the official minutes and should follow the Supreme Court's instructions of being full and accurate and stating sufficient facts and information to permit the public to understand and appreciate the rationale behind the public body's decisions. It is important to note that the taped minutes are also a public record.

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Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

The Board of Education should review with its legal counsel the methods used to record the Board's proceedings to ensure they meet statutory requirements and related court cases. The Board of Education should then adopt a policy that defines how the proceeding will be recorded (including the level of detail if written) and maintained as permanent records. The Board of Education should also address how documents presented to the Board, both prior to and at the meetings, should be referenced in its official proceedings and retained.

The School District also informed our office that a separate accessory file is maintained which contains additional attachments that are not maintained in the minute book. The typed minutes do not reference the availability of this accessory file.

Implemented:

The School District adopted a new policy regarding its minutes. The policy defines how the proceedings of the Board would be recorded; how the minutes would be maintained as permanent records; and how documents presented to the Board, both prior to and at the meetings, should be referenced in its official proceedings and retained. The policy states that the minutes constitute the written record of Board actions and that a complete and accurate set of minutes shall be prepared and become a regular part of the monthly agenda and, once approved, shall be bound and kept in the Treasurer's office. The policy also addressed the use of photographic and electronic audio and video and allowed such to be used at the meetings.

Recent Audit Report and Compliance and Management Letters

In addition to reviewing the actions taken to address the issues identified in the Report on Accounting Methods and before releasing a school district from fiscal emergency, the Auditor of State reviews the current audit report to determine if there are deficiencies in the school district's financial reporting or any significant failures to comply with the requirements of the Ohio Revised Code.

The Auditor of State released an audit report on the School District's financial statements for the fiscal year ended June 30, 2008 on February 13, 2009. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. These documents disclosed non-compliance issues with State laws, regulations, contracts, and grant requirements and issues that could have a material effect on the financial statements. The letters for fiscal year 2008 identified an instance of non-compliance with federal law in preparing, maintaining, and retaining progress reports for a child's participation in the Title I program. The letters for fiscal year 2008 also identified a recommendation to management concerning the establishment of an Audit Committee to replace a discontinued Finance Committee within the School District. An Audit Committee should be established to assist the Board of Education and other School District personnel to achieve an increased understanding of (a) the role of the independent auditors and the nature and limitations of their work and (b) the importance of accounting, financial, and operating controls to successful management and reliable financial reports. The Audit Committee should be distinct from the School District's finance, budget, and investment committees and its objectives, authority, and responsibilities should be set forth in a written document approved by the Board of Education.

Springfield City School District – Clark County

Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

The School District, however, has corrected, or is in the process of correcting, these items and, therefore, the Auditor of State has concluded that the disclosures in the audit report do not require that the School District's release from fiscal emergency be delayed.

Section 2 - Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines that a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.

Springfield City School District – Clark County

Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

Section 3 - Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District, dated September 22, 2006. The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. Staff from the Ohio Department of Education, in conjunction with the School District Administrative staff, is to prepare a School District staffing analysis.
2. The Board and the Commission will consider property tax levy options.
3. The School District will request a solvency assistance advance.
4. The Board and the Commission will consider the Auditor of State recommendations included in the updated Performance Audit.

Actions taken to achieve the provisions of the plan include the following:

1. Staff reductions in the general fund since 2005 totaled 259;
2. Voters approved a \$6,463,000 emergency levy in February 2006;
3. The School District obtained a solvency assistance fund advance in the amount of \$7,554,000; and
4. Two elementary buildings were closed in fiscal year 2008.

Section 4 - Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2009 through 2013, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School Districts' five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2013. The Auditor of State, in a report dated February 24, 2009, rendered a "nonadverse" opinion on the financial forecast.

Springfield City School District – Clark County

Report on Termination of the Springfield City School District Financial Planning and Supervision Commission

Section 5 - Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented an effective accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Springfield City School District and its functions may be terminated.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

Springfield City School District
Clark County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2009 through June 30, 2013

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Springfield City School District – Clark County

Fiscal Emergency Termination

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Mary Taylor, CPA

Auditor of State

Board of Education
Springfield City School District
700 South Limestone Street
Springfield, OH 45504

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 City School District for the fiscal years ending June 30, 2009 through 2013. The Springfield City 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 the Springfield City 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.

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

Mary Taylor, CPA
Auditor of State

February 24, 2009

Springfield City School District

Clark County

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2006 Through 2008 Actual;

For the Fiscal Years Ending June 30, 2009 Through 2013 Forecasted

General Fund

| | Fiscal Year 2006 Actual | Fiscal Year 2007 Actual | Fiscal Year 2008 Actual | Fiscal Year 2009 Forecasted |
|--|----------------------------|----------------------------|----------------------------|--------------------------------|
| Revenues | | | | |
| General Property Tax | \$15,133,000 | \$17,863,000 | \$20,235,000 | \$20,234,000 |
| Tangible Personal Property Tax | 2,778,000 | 2,296,000 | 1,907,000 | 863,000 |
| Unrestricted Grants-in-Aid | 44,510,000 | 43,903,000 | 43,436,000 | 44,672,000 |
| Restricted Grants-in-Aid | 5,819,000 | 7,100,000 | 7,302,000 | 7,438,000 |
| Property Tax Allocation | 2,202,000 | 2,850,000 | 3,636,000 | 4,753,000 |
| All Other Revenues | 3,220,000 | 2,552,000 | 3,000,000 | 2,238,000 |
| <i>Total Revenues</i> | <u>73,662,000</u> | <u>76,564,000</u> | <u>79,516,000</u> | <u>80,198,000</u> |
| Other Financing Sources | | | | |
| Refund of Prior Expenditures | 0 | 242,000 | 15,000 | 0 |
| Proceeds of Tax Anticipation Notes | 6,462,000 | 0 | 0 | 0 |
| Sale of Capital Assets | 0 | 0 | 12,000 | 0 |
| Advances In | 0 | 10,000 | 171,000 | 106,000 |
| Transfers In | 0 | 96,000 | 0 | 0 |
| <i>Total Other Financing Sources</i> | <u>6,462,000</u> | <u>348,000</u> | <u>198,000</u> | <u>106,000</u> |
| <i>Total Revenues and Other Financing Sources</i> | <u>80,124,000</u> | <u>76,912,000</u> | <u>79,714,000</u> | <u>80,304,000</u> |
| Expenditures | | | | |
| Personal Services | 40,364,000 | 38,405,000 | 39,157,000 | 38,441,000 |
| Employees' Retirement/Insurance Benefits | 17,042,000 | 15,720,000 | 15,231,000 | 14,041,000 |
| Purchased Services | 13,058,000 | 13,951,000 | 14,789,000 | 16,994,000 |
| Supplies and Materials | 747,000 | 1,297,000 | 1,798,000 | 2,103,000 |
| Capital Outlay | 1,000 | 34,000 | 282,000 | 110,000 |
| Debt Service: | | | | |
| Principal - Tax Anticipation Notes | 0 | 0 | 862,000 | 1,300,000 |
| Principal - Solvency Assistance Advance | 3,777,000 | 3,777,000 | 0 | 0 |
| Principal - Energy Conservation Notes | 0 | 0 | 0 | 0 |
| Interest | 0 | 476,000 | 384,000 | 371,000 |
| Other Objects | 615,000 | 689,000 | 761,000 | 790,000 |
| <i>Total Expenditures</i> | <u>75,604,000</u> | <u>74,349,000</u> | <u>73,264,000</u> | <u>74,150,000</u> |
| Other Financing Uses | | | | |
| Operating Transfers Out | 0 | 19,000 | 0 | 11,000 |
| Advances Out | 31,000 | 155,000 | 102,000 | 173,000 |
| All Other Financing Uses | 0 | 329,000 | 0 | 0 |
| <i>Total Other Financing Uses</i> | <u>31,000</u> | <u>503,000</u> | <u>102,000</u> | <u>184,000</u> |
| <i>Total Expenditures and Other Financing Uses</i> | <u>75,635,000</u> | <u>74,852,000</u> | <u>73,366,000</u> | <u>74,334,000</u> |
| <i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i> | 4,489,000 | 2,060,000 | 6,348,000 | 5,970,000 |
| Cash Balance July 1 | 2,675,000 | 7,164,000 | 9,224,000 | 15,572,000 |
| Cash Balance June 30 | 7,164,000 | 9,224,000 | 15,572,000 | 21,542,000 |
| Encumbrances and Reserves: | | | | |
| Actual/Estimated Encumbrances June 30 | 250,000 | 1,159,000 | 549,000 | 500,000 |
| Reservations of Fund Balance for: | | | | |
| Textbooks | 475,000 | 878,000 | 953,000 | 943,000 |
| Bus Purchase | 46,000 | 92,000 | 113,000 | 46,000 |
| Debt Service | 0 | 582,000 | 755,000 | 837,000 |
| Poverty Based Assistance | 2,615,000 | 1,993,000 | 1,993,000 | 1,993,000 |
| Total Encumbrances and Reserves of Fund Balance | <u>3,386,000</u> | <u>4,704,000</u> | <u>4,363,000</u> | <u>4,319,000</u> |
| Unencumbered/Unreserved Fund Balance June 30 | 3,778,000 | 4,520,000 | 11,209,000 | 17,223,000 |
| Revenue from Renewal Levies | | | | |
| Property Tax - Renewal | 0 | 0 | 0 | 0 |
| Unencumbered/Unreserved Fund Balance June 30 | <u>\$3,778,000</u> | <u>\$4,520,000</u> | <u>\$11,209,000</u> | <u>\$17,223,000</u> |

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

| Fiscal Year 2010 Forecasted | Fiscal Year 2011 Forecasted | Fiscal Year 2012 Forecasted | Fiscal Year 2013 Forecasted |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| \$19,844,000 | \$18,105,000 | \$13,819,000 | \$11,376,000 |
| 110,000 | 48,000 | 0 | 0 |
| 44,672,000 | 44,672,000 | 44,672,000 | 44,672,000 |
| 7,438,000 | 7,438,000 | 7,438,000 | 7,438,000 |
| 5,354,000 | 5,122,000 | 4,020,000 | 3,161,000 |
| 2,249,000 | 2,249,000 | 2,249,000 | 2,249,000 |
| <u>79,667,000</u> | <u>77,634,000</u> | <u>72,198,000</u> | <u>68,896,000</u> |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| 173,000 | 128,000 | 128,000 | 128,000 |
| 0 | 0 | 0 | 0 |
| <u>173,000</u> | <u>128,000</u> | <u>128,000</u> | <u>128,000</u> |
| <u>79,840,000</u> | <u>77,762,000</u> | <u>72,326,000</u> | <u>69,024,000</u> |
| 37,924,000 | 38,492,000 | 39,069,000 | 39,656,000 |
| 14,152,000 | 14,804,000 | 15,605,000 | 16,465,000 |
| 17,676,000 | 18,666,000 | 19,448,000 | 20,377,000 |
| 2,166,000 | 2,231,000 | 2,297,000 | 2,366,000 |
| 34,000 | 34,000 | 34,000 | 34,000 |
| 1,400,000 | 1,400,000 | 1,500,000 | 0 |
| 0 | 0 | 0 | 0 |
| 250,000 | 255,000 | 265,000 | 275,000 |
| 342,000 | 244,000 | 142,000 | 85,000 |
| 814,000 | 838,000 | 864,000 | 890,000 |
| <u>74,758,000</u> | <u>76,964,000</u> | <u>79,224,000</u> | <u>80,148,000</u> |
| 0 | 0 | 0 | 0 |
| 128,000 | 128,000 | 128,000 | 128,000 |
| 0 | 0 | 0 | 0 |
| <u>128,000</u> | <u>128,000</u> | <u>128,000</u> | <u>128,000</u> |
| <u>74,886,000</u> | <u>77,092,000</u> | <u>79,352,000</u> | <u>80,276,000</u> |
| 4,954,000 | 670,000 | (7,026,000) | (11,252,000) |
| <u>21,542,000</u> | <u>26,496,000</u> | <u>27,166,000</u> | <u>20,140,000</u> |
| <u>26,496,000</u> | <u>27,166,000</u> | <u>20,140,000</u> | <u>8,888,000</u> |
| 500,000 | 500,000 | 500,000 | 500,000 |
| 908,000 | 836,000 | 724,000 | 570,000 |
| 46,000 | 46,000 | 46,000 | 46,000 |
| 793,000 | 798,000 | 0 | 0 |
| 0 | 0 | 0 | 0 |
| <u>2,247,000</u> | <u>2,180,000</u> | <u>1,270,000</u> | <u>1,116,000</u> |
| 24,249,000 | 24,986,000 | 18,870,000 | 7,772,000 |
| 0 | 1,928,000 | 8,728,000 | 18,306,000 |
| <u>\$24,249,000</u> | <u>\$26,914,000</u> | <u>\$27,598,000</u> | <u>\$26,078,000</u> |

Springfield City School District

Clark County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 1 – The School District

The Springfield City School District (the “School District”) is located in Clark County and encompasses all of the City of Springfield. 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 currently operates 18 instructional and support facilities. The School District is staffed by 522 full and part-time non-certified employees, 313 certified full-time teaching personnel, and 64 administrators, who provide services to 7,760 students and other community members.

On February 28, 2005, 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 Mayor of the City of Springfield. 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 be in accordance with the plan.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Springfield City 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 February 24, 2009, 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 resources 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 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 the General Fund supported debt are included in the General Fund.

Springfield City School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

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 (non-GAAP) basis of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenues 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 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 records 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 for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - 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.

Springfield City School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Internal Service Funds – Internal Service funds are used to 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 government 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 – Under Section 5705.281, Revised Code, the Clark County Budget Commission has waived the requirement that the School District submit a tax budget. In place of the tax budget, the budget commission requires five schedules to be completed by the School District and returned to the County Auditor. Although the formal requirements have been waived, the Board adopts by January 15 a tax budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing the expenditures for all funds other than agency funds. The Board-adopted budget is filed with the Clark County Budget Commission no later than January 20.

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 fiscal 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 fiscal year. The appropriation measure may be amended or supplemented during the fiscal 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.

Springfield City School District

Clark County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

Note 5 - General Operating Assumptions

The Springfield City 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 auditor 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 Clark 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 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 in June against the next fiscal year's 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 request any such advances for fiscal years 2009 through 2013.

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

Springfield City School District

Clark County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

| 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 | \$6.60 |
| Continuing Operating | Prior to 1976 | n/a | 26.50 |
| Continuing Operating | 1987 | n/a | 7.00 |
| Continuing Operating | 2005 | 2010 | 7.00 |
| Five Year Emergency (\$6,463,000) | 2006 | 2011 | 8.75 |
| Total Tax Rate | | | \$55.85 |

The School District has other levies for bonded debt, classroom facilities maintenance, and permanent improvements totaling \$7.88 per \$1,000 of assessed valuation. The School District's total tax rate is \$63.73 per \$1,000 of assessed valuation for tax year 2008.

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 \$29.73 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$37.27 per \$1,000 of assessed valuation for collection year 2009.

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, HB 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).

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 anticipated assessed valuations and existing tax levies. Assessed values for tax year 2008 (collection year 2009) decreased due to the conclusion of cases before the board of revision and the removal of the value for School District buildings. Due to current economic conditions and the outlook in Clark County, no increases or decreases in assessed values are anticipated for the remaining forecast periods.

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

The School District has an operating and an emergency levy expiring with the last year of collection in 2010 and 2011, respectively. While the School District anticipates renewing these levies, voter approval is uncertain and the tax revenues have been excluded from the revenue section and presented under the heading Revenue from Renewal Levies.

Tangible Personal Property Tax – Tangible personal property tax was 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 phased 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 is not 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 \$2,500,000, annually, when the tangible personal property tax is completely phased out in 2010. 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). The decrease in revenue during fiscal years 2007 through 2011 is a result of the tax changes above.

B. - Unrestricted and Restricted 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 equity and parity aid, excess cost supplement, and transitional aid 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 over three years 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. For fiscal years 2008 and 2009, State Legislature has increased per pupil funding by 3 percent each fiscal year. The School District anticipates the per pupil amount to remain consistent each fiscal year after fiscal year 2009 because of proposed changes in State funding addressed below. 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 based decision making and professional development for data based decision making.

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Summary of Significant Assumptions and Accounting Policies
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The per pupil amount for fiscal years 2006 to 2009 are as follows:

| <u>Fiscal Year</u> | <u>Per Pupil Foundation Level</u> | <u>Building Blocks</u> | <u>Total</u> |
|--------------------|-----------------------------------|------------------------|--------------|
| 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 the current estimates from Ohio Department of Education. The most recent estimates for fiscal year 2009 are as follows:

| | <u>Forecasted Fiscal Year 2009</u> |
|----------------------------|--|
| Formula Aid | \$31,674,000 |
| Categorical Funding | 5,230,000 |
| Transportation | 1,476,000 |
| Parity Aid | 5,942,000 |
| Transitional Aid Guarantee | <u>350,000</u> |
| Totals | <u>\$44,672,000</u> |

Formula aid decreased from the prior fiscal year, because of a decrease in ADM offset by a decrease in recognized valuation and an increase in the per pupil foundation level. Categorical funding is anticipated to decrease in fiscal year 2009 due to decreases in training and teacher experience because of staffing cuts.

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance. For fiscal year 2009, the School District anticipates \$15,000 in bus purchase allowance, \$157,000 in career tech monies and \$7,266,000 in Poverty Based Assistance monies.

The State Foundation formula and the per pupil amount are subject to change every two years as the Governor and the General Assembly prepare the biennial budget for the State. The biennial budget introduced in the General Assembly for fiscal years 2010 and 2011 includes significant changes in the methodology for funding schools. Initial estimates indicate the School District may receive an increase in State funding. The proposed budget includes a guarantee that school districts will receive 100 percent of the funding received in the prior fiscal year in fiscal year 2010 and 98 percent in fiscal year 2011 and establishes limits on the amount of increases that can be received under the new funding method each fiscal year. Several components of the funding method may be phased in over a four year period. The biennial budget is subject to change as it is discussed in the General Assembly prior to approval. Based on this information, unrestricted and restricted grants-in-aid are assumed to be the same amount for fiscal years 2010 through 2013 as in fiscal year 2009. The biennial budget is generally adopted in June prior to the start of the new fiscal year beginning July 1.

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2009 through June 30, 2013

C. - 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 homeowners where the first \$25,000 in true value is not taxed. 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 tax year 2005, the State eliminated the ten percent rollback on commercial and industrial real property and the corresponding reimbursement to local governments. Homestead and rollback revenue will decrease significantly in fiscal year 2012 and 2013 when two emergency levies expire.

The State exempts the first \$10,000 in general business personal property from taxation and reimburses the School District for the lost revenue. In 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement will be in October 2008.

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 is 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 the forecast period, the School District anticipates receiving a steadily increasing reimbursement for the tangible personal property tax losses until 2012 when the amount begins to decline, due to a phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

Property tax allocation revenues consist of the following:

| Revenue Sources | Forecasted | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2011 | Fiscal Year 2012 | Fiscal Year 2013 |
| Homestead and Rollback | \$2,612,000 | \$2,578,000 | \$2,350,000 | \$1,750,000 | \$1,369,000 |
| Tangible Personal Property Exemption | 41,000 | 0 | 0 | 0 | 0 |
| Tangible Personal Property Loss Reimbursements | 2,100,000 | 2,776,000 | 2,772,000 | 2,270,000 | 1,792,000 |
| Totals | \$4,753,000 | \$5,354,000 | \$5,122,000 | \$4,020,000 | \$3,161,000 |

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D. - All Other Revenues

All other revenues consist of the following:

| Revenue Sources | Forecast | | | | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2011 | Fiscal Year 2012 | Fiscal Year 2013 |
| Tuition and Open Enrollment | \$922,000 | \$967,000 | \$967,000 | \$967,000 | \$967,000 |
| Extracurricular Transportation | 122,000 | 122,000 | 122,000 | 122,000 | 122,000 |
| Interest on Investments | 720,000 | 686,000 | 686,000 | 686,000 | 686,000 |
| Student Activity Fees | 34,000 | 34,000 | 34,000 | 34,000 | 34,000 |
| Rentals | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 |
| Other Revenue | 423,000 | 423,000 | 423,000 | 423,000 | 423,000 |
| Totals | <u>\$2,238,000</u> | <u>\$2,249,000</u> | <u>\$2,249,000</u> | <u>\$2,249,000</u> | <u>\$2,249,000</u> |

The School District receives tuition and payments for student attending the School District under open enrollment for regular and special education. Tuition revenue is expected to decrease from fiscal year 2008 because of a large payment for handicapped students that related to prior fiscal years. This is not expected to occur again in the forecast period. The School District anticipates an increase in tuition related to special education excess costs in fiscal years 2010 through 2013 to offset a decrease in open enrollment revenue for the same period.

Extracurricular transportation is anticipated to increase in fiscal year 2009 based upon an average of the prior years. Fiscal years 2010 through 2013 are expected to remain consistent with fiscal year 2009.

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. The School District anticipates no significant change in interest or interest rates during the forecast period.

Other revenue consists of various reimbursements and receipts received by the School District. Other revenue is anticipated to increase in fiscal year 2009 based upon an average of the prior years. Fiscal years 2010 through 2013 are expected to remain consistent with fiscal year 2009.

F. - Other Financing Sources

Proceeds from Sale of Tax Anticipation Notes – During fiscal year 2006, the School District issued \$6,462,000 in current expense tax anticipation notes at 6.35 percent. The notes were issued against the emergency levy approved by the voters in February 2006. The notes are to be retired over a five period, ending December 7, 2011. The School District does not anticipate issuing any additional notes during the forecast period.

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Advances In - The General Fund is forecasting the return of advances made in previous years to State and federal grant funds in the amount of \$106,000 in fiscal year 2009. The School District anticipates the return of advances for the forecast period to be \$128,000 each year except for fiscal year 2010. In fiscal year 2010, this will be increased by \$44,000 for the one time advance made to the underground storage tank fund in fiscal year 2009.

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, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay, and retirement incentive bonuses. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels for the current and last four years are as follows:

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|----------------------|--------------|-------------|-------------|-------------|-------------|
| <u>General Fund:</u> | | | | | |
| Certified | 643 | 498 | 507 | 520 | 505 |
| Classified | 335 | 241 | 233 | 244 | 214 |
| Total General Fund: | <u>978</u> | <u>739</u> | <u>740</u> | <u>764</u> | <u>719</u> |
| <u>Other Funds:</u> | | | | | |
| Certified | 60 | 71 | 70 | 70 | 132 |
| Classified | 119 | 112 | 112 | 111 | 48 |
| Total Other Funds: | <u>179</u> | <u>183</u> | <u>182</u> | <u>181</u> | <u>180</u> |
| Totals | <u>1,157</u> | <u>922</u> | <u>922</u> | <u>945</u> | <u>899</u> |

The School District has reduced staffing levels for fiscal year 2009 and anticipates reducing staff by 23 positions in 2010. In fiscal year 2009, the School District consolidated North High School and South High School resulting in a decrease in supplemental contracts for extracurricular activities. In fiscal year 2010, the School District will be closing a middle school and eliminating the positions.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2006 through June 30, 2009, and allows for a one percent increase in the base salary in fiscal years 2007 and 2008 and a two percent increase in the base salary in fiscal year 2009. Step increases range from 0 to 6 percent.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2006 through June 30, 2009, and allows for a one percent increase in the base salary in fiscal years 2007 and a two percent increase in the base salary in fiscal years 2008 and 2009. Step increases range from 0 to 6 percent.

The School District has assumed no annual base increases and 1.50 percent step increases for the fiscal years 2010 to 2013 for its certified and classified employees. These agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving the base increases for

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2009 through June 30, 2013

fiscal years 2010, through 2013 is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. Should the School District agree to an additional one percent increase, it would increase salaries approximately \$374,000 beginning in 2010 and increase to approximately \$392,000 by 2013. The additional one percent increase in salaries would also increase the School District's pension contribution by approximately \$26,000 beginning in 2010 and increase to approximately \$54,000 by 2013. These estimated increases will decrease fund balance by \$1,720,000 in fiscal year 2013.

The School District offers severance pay to its certified and classified employees who are eligible to retire under the provisions set by STRS and SERS. Certified employees receive one fourth of their unused sick leave not to exceed a total payment of 61.5 days. Classified employees receive one fourth of the unused sick leave not to exceed a total payment of 512 hours. Administrators receive one fourth of the unused sick leave not used. During fiscal year 2008, the School District had nineteen classified employees retire. The anticipated severance payments are included in the certified and classified salaries presented in the table below. These employees were replaced with no experience employees resulting in a decrease in classified salaries for fiscal year 2009.

Presented below is a comparison of salaries and wages for fiscal years 2009 through 2013.

| | Forecasted | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2011 | Fiscal Year 2012 | Fiscal Year 2013 |
| Certified Salaries | \$29,957,000 | \$29,415,000 | \$29,856,000 | \$30,304,000 | \$30,758,000 |
| Classified Salaries | 5,981,000 | 5,968,000 | 6,057,000 | 6,148,000 | 6,241,000 |
| Certified Supplemental and Temporary Salaries | 2,042,000 | 2,073,000 | 2,104,000 | 2,135,000 | 2,167,000 |
| Classified Supplemental and Temporary Salaries | 461,000 | 468,000 | 475,000 | 482,000 | 490,000 |
| Totals | <u>\$38,441,000</u> | <u>\$37,924,000</u> | <u>\$38,492,000</u> | <u>\$39,069,000</u> | <u>\$39,656,000</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 and a SERS surcharge levied to fund health care benefits of employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from a variance in estimates are prorated over the next calendar year. Retirement costs are forecasted to decrease in fiscal years 2009, 2010 and 2011, then increase in fiscal years 2012 and 2013 based on the changes in forecasted salaries over the next five fiscal years.

Medical/Hospitalization costs are based on monthly charges per employee set by the Board of Education. Medical charges are fixed for a twelve month period from January to December. All funds are charged for the number of employees participating in one of two programs and the type (single or family) of coverage provided to each employee. The insurance coverage is the same for each program. The

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difference between the two programs is that the second program has a lower premium but higher co-pays and deductibles. During open enrollment, sixteen employees elected the second program. In fiscal year 2009, medical charges are expected to increase 5 percent. For fiscal years 2010 through 2013, an increase of 9 percent is anticipated. The anticipated increase in medical care is based on a historical average for the School District.

| | Option One Effective 1/1/08 | | | | Option One Effective 1/1/09 | | | |
|----------------|-----------------------------|----------------|-------------|----------------|-----------------------------|----------------|-------------|----------------|
| | Single | | Family | | Single | | Family | |
| | Board Share | Employee Share | Board Share | Employee Share | Board Share | Employee Share | Board Share | Employee Share |
| Teachers | \$397.76 | \$81.48 | \$1,114.08 | \$228.18 | \$417.66 | \$85.54 | \$1,169.78 | \$239.60 |
| Administrators | 397.76 | 81.48 | 1,114.08 | 228.18 | 417.66 | 85.54 | 1,169.78 | 239.60 |
| Interpreters | 417.86 | 61.38 | 1,210.86 | 131.40 | 437.78 | 43.42 | 1,226.16 | 183.22 |
| Classified | 421.74 | 57.50 | 1,181.18 | 161.08 | 437.78 | 43.42 | 1,226.16 | 183.22 |

| | Option Two Effective 1/1/08 | | | | Option Two Effective 1/1/09 | | | |
|----------------|-----------------------------|----------------|-------------|----------------|-----------------------------|----------------|-------------|----------------|
| | Single | | Family | | Single | | Family | |
| | Board Share | Employee Share | Board Share | Employee Share | Board Share | Employee Share | Board Share | Employee Share |
| Teachers | \$388.18 | \$43.14 | \$1,087.23 | \$120.80 | \$407.60 | \$45.28 | \$1,141.60 | \$126.84 |
| Administrators | 388.18 | 43.14 | 1,087.23 | 120.80 | 407.60 | 45.28 | 1,141.60 | 126.84 |
| Interpreters | 388.18 | 43.14 | 1,087.23 | 120.80 | 407.60 | 45.28 | 1,141.60 | 126.84 |
| Classified | 388.18 | 43.14 | 1,087.23 | 120.80 | 407.60 | 45.28 | 1,141.60 | 126.84 |

Dental insurance premiums increased 3.20 percent from fiscal year 2008. The monthly premium for dental is \$56 for all employees. Dental insurance is expected to decrease for fiscal years 2009 and remain constant for fiscal year 2010. The decrease for fiscal year 2009 relates to the retirements and layoffs that occurred at fiscal year-end 2008. In fiscal year 2010, dental insurance will not change due to the closing of one school building and the loss of the employees. For fiscal years 2011 through 2013 dental insurance is expected to increase. This increase is based on historical increases for the School District.

Life insurance premiums decrease 50 percent for fiscal year 2009. This decrease was due to a change in providers. The monthly premium for life insurance is \$5 for teachers and administrators, \$4 for full-time classified employees and \$3 for interpreters and part-time classified employees. The new rate is guaranteed for fiscal years 2009 and 2010. For fiscal year 2011, the rate is expected to increase and remain constant for fiscal years 2012 and 2013.

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 pays 45 percent of the premium in May and 55 percent of the premium in September. The worker's compensation rate decreased for fiscal year 2009. The School District does not anticipate any significant changes to the workers' compensation premiums throughout the forecast period. In the prior years, the School District made the entire workers' compensation payment from the payroll related funds. Starting in fiscal year

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2008, the School District charged a percentage of the estimated workers' compensation each pay period and deposited the charges into a separate Fund.

Medicare for the School District is 1.45% of salaries of employees hired after March 31, 1986. In the forecast period, Medicare is estimated to decrease in fiscal year 2009 and increase each year due to an increase in total salaries.

The School District provides tuition reimbursement up to \$75 per quarter hour to teachers for approved graduate courses at an accredited university. The maximum number of hours per teacher applicable under this policy is 12 semester hours or 18 quarter hours. Classified employees who complete undergraduate classes at an accredited university that are directly related to the employee's current position, or in preparation for promotion to another position can receive a maximum reimbursement of \$750 per year. The School District provides a tuition reimbursement up to seventy-five percent of actual costs for administrators. The School District provides a reimbursement for miscellaneous expenses to administrative employees up to \$400 per fiscal year for certified administrators and \$250 per fiscal year for classified administrators. The reimbursement must be used for professional materials or publications or a membership in a professional organization.

In fiscal year 2004, the School District offered an Employee Severance Plan (the "Plan") to the full-time teachers, administrators, and support staff with ten or more years of service with the School District. Eligible employees elected to participate in the plan from March 11, 2004 through April 26, 2004. Under the Plan, teachers, administrators, and support staff were paid the lesser of their annual base salary or \$50,000, \$60,000, or \$20,000, respectively, plus their severance pay per the negotiated agreements. Employees could either retire at the end of fiscal year 2004 or 2005. Approximately 90 employees elected to participate in the plan. Under the plan, the School District pays one-third of the total amount due each year through fiscal year 2008 into a post employment account under section 403(b) of the Internal Revenue Code. For fiscal years 2006 and 2007, the School District paid \$2,252,000 and \$2,056,000, respectively. The final payment of \$713,000 for this plan was made in fiscal year 2008.

Presented below is a comparison for the forecasted period.

| | Forecasted | | | | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2011 | Fiscal Year 2012 | Fiscal Year 2013 |
| SERS Retirement | \$1,095,000 | \$1,002,000 | \$908,000 | \$921,000 | \$935,000 |
| STRS Retirement | 4,555,000 | 4,352,000 | 4,441,000 | 4,508,000 | 4,576,000 |
| Medical Insurance | 6,522,000 | 6,946,000 | 7,571,000 | 8,253,000 | 8,995,000 |
| Other Employee Insurance | 491,000 | 489,000 | 519,000 | 539,000 | 557,000 |
| Medicare/Social Security | | | | | |
| Workers Compensation | 1,224,000 | 1,204,000 | 1,218,000 | 1,237,000 | 1,255,000 |
| Unemployment | 59,000 | 59,000 | 47,000 | 47,000 | 47,000 |
| Reimbursements | 95,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Total | \$14,041,000 | \$14,152,000 | \$14,804,000 | \$15,605,000 | \$16,465,000 |

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C. - Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2009 through 2013:

| | Forecast | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2011 | Fiscal Year 2012 | Fiscal Year 2013 |
| Professional and Technical Services | \$1,046,000 | \$1,072,000 | \$1,098,000 | \$1,125,000 | \$1,152,000 |
| Property Services | 727,000 | 749,000 | 771,000 | 795,000 | 818,000 |
| Travel and Meeting Expenses | 26,000 | 27,000 | 27,000 | 28,000 | 29,000 |
| Communication Costs | 315,000 | 324,000 | 334,000 | 344,000 | 355,000 |
| Utility Services | 3,070,000 | 2,873,000 | 2,958,000 | 2,867,000 | 2,954,000 |
| Contracted Craft/Trade Services | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Tuition and Other Similar Payments | 11,768,000 | 12,588,000 | 13,435,000 | 14,244,000 | 15,023,000 |
| Pupil Transportation | 6,000 | 6,000 | 6,000 | 7,000 | 7,000 |
| Other Purchased Services | 28,000 | 29,000 | 29,000 | 30,000 | 31,000 |
| Totals | <u>\$16,994,000</u> | <u>\$17,676,000</u> | <u>\$18,666,000</u> | <u>\$19,448,000</u> | <u>\$20,377,000</u> |

Tuition payments include open enrollment, community school tuition, and Ed Choice Scholarship program tuition. In fiscal year 2009, open enrollment and community school tuition increased due to the 3 percent increase in the per pupil foundation amount and increase of 75 and 100 students in community schools and the Ed Choice Scholarship program, respectively. In fiscal year 2010 through 2013, the per pupil foundation amount is not expected to increase. The increase in the tuition amounts during these periods is due to the anticipated increase in students from the School District attending community schools, open enrollment, and the Ed Choice Scholarship Program. Utility services are showing a decrease in fiscal year 2010 due to energy conservation guarantee savings on electricity and gas per the School District's agreement with Waibel Energy Systems. In fiscal year 2012, utilities are anticipated to decrease due to the sale of the South High School building.

D. - Supplies and Materials

The following table is a comparison of the supplies and materials expenditures for fiscal years 2009 through 2013:

| | Forecast | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2009 | Fiscal Year 2010 | Fiscal Year 2011 | Fiscal Year 2012 | Fiscal Year 2013 |
| General Supplies, Library Books and Periodicals | \$708,000 | \$728,000 | \$751,000 | \$772,000 | \$795,000 |
| Operations, Maintenance and Repair | 675,000 | 696,000 | 716,000 | 738,000 | 760,000 |
| Textbooks | 720,000 | 742,000 | 764,000 | 787,000 | 811,000 |
| Totals | <u>\$2,103,000</u> | <u>\$2,166,000</u> | <u>\$2,231,000</u> | <u>\$2,297,000</u> | <u>\$2,366,000</u> |

Expenditures for supplies and materials are forecasted to increase 3 percent.

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E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. Capital outlay expenditures consist of minor equipment replacements for the forecast period. Capital outlay expenditures are anticipated to be much higher in fiscal year 2009 due to anticipated purchase of a new bus at a cost of approximately \$81,000.

F. - Debt Service

On April 5, 2006, the School District issued a 6.35 percent Current Expense Tax Anticipation Notes against the revenue from the passage of a 5 year emergency operating levy. The annual debt service payments began December 2007 and will end in December 2011.

The School District issued \$3,064,000 in Energy Conservation Bonds at 3.50 to 5.25 percent. The bonds will be repaid from General Fund resources. The bonds were issued for an eleven year period with final payment December 1, 2019.

Principal and interest payments for the debt are as follows:

| Fiscal Year | Tax Anticipation Note | | Energy Conservation Bonds | |
|----------------|-----------------------|------------------|---------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2009 | \$1,300,000 | \$315,000 | \$0 | \$56,000 |
| 2010 | 1,400,000 | 230,000 | 250,000 | 112,000 |
| 2011 | 1,400,000 | 141,000 | 255,000 | 103,000 |
| 2012 | 1,500,000 | 48,000 | 265,000 | 94,000 |
| 2013 | 0 | 0 | 275,000 | 85,000 |
| 2014-2018 | 0 | 0 | 1,530,000 | 249,000 |
| 2019-2020 | 0 | 0 | 489,000 | 224,000 |
| Total | <u>\$5,600,000</u> | <u>\$734,000</u> | <u>\$3,064,000</u> | <u>\$923,000</u> |

G. - Other Objects

Other object expenditures consist of dues and fees, liability insurance and awards. Expenditures for other objects are forecasted to increase 3 percent.

H. - Operating Advances/Transfers Out

The School District anticipates no transfers out of the general fund during the forecast period. The School District anticipates advancing \$128,000 to various grant funds each year for the entire forecast period plus a onetime advance of \$44,000 in fiscal year 2009 to the underground storage tank fund.

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Summary of Significant Assumptions and Accounting Policies
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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 had large decrease in fiscal year 2008 due to change on how the School District makes workers' compensation payments. The encumbrances are forecasted at \$500,000 for fiscal year 2009. This amount is expected to remain consistent for the remaining forecast period.

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 capital improvements and repairs. 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

The set aside amount required is approximately \$1,270,000 each fiscal year. The School District anticipates \$1,280,000 in qualified expenditures in fiscal year 2009 and the qualified expenditures to increase during the remainder of the forecast period. A reserve balance is reported for the difference between the annual set aside and the qualified expenditures each fiscal year.

B. – Capital Acquisition and Improvements Set-Aside

The set aside amount is approximately \$1,270,000 each fiscal year. Annual offsets are anticipated from a permanent improvement and Classroom Facilities Maintenance Levies and General Obligation Bond proceeds. Therefore, no reserve amount is anticipated for the forecast period.

C. – Bus Purchases

At June 30, 2008, the School District had \$113,000 in unspent bus monies. The School District anticipates receiving \$15,000 in a bus purchase allowance in 2009. The School District anticipates purchasing a new bus in fiscal year 2009. Therefore, the bus purchase reserve is \$46,000. The School District does not anticipate purchasing school buses for the remainder of the forecast period. The reserve will remain at \$46,000 for fiscal years 2010 through 2013.

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

At June 30, 2008, the School District had \$1,993,000 in unspent Poverty Based assistance monies. For fiscal years 2009, the School District anticipates only spending the amount received in the current year; therefore, a reserve of \$1,993,000 is forecasted for fiscal year 2009. This remaining amount will be expended in fiscal year 2010 as the program winds down. This program is not anticipated to continue beyond 2009.

E. – Debt Service

The School District entered into an escrow agreement with the issuance on the 2006 Tax Anticipation Notes, which requires the county auditor to remit a portion of the emergency levy proceeds to an escrow agent for the payment of the debt. Approximately one-half on the annual debt service payments are deducted from each real property tax settlement and deposited into the escrow account.

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

| <u>Date</u> | <u>Type</u> | <u>Amount</u> | <u>Term</u> | <u>Election Results</u> |
|---------------|-----------------------|---------------|-------------|-------------------------|
| November 1995 | Operating | 7.00 mills | 5 Years | Passed |
| November 1995 | Emergency | \$1,731,000 | 5 Years | Failed |
| March 1996 | Emergency | \$1,731,000 | 5 Years | Failed |
| November 1996 | Permanent Improvement | 1.55 mills | Continuing | Passed |
| November 1999 | Operating | 7.00 mills | 5 Years | Passed |
| November 2000 | School Facilities | 5.06 mills | Continuing | Passed |
| March 2004 | Emergency | \$6,962 | 5 Years | Failed |
| November 2004 | Emergency | \$6,135,000 | 5 Years | Failed |
| February 2005 | Emergency | \$6,135,000 | 5 Years | Failed |
| May 2005 | Operating | 7.00 mills | 5 Years | Passed |
| November 2005 | Emergency | \$7,813,000 | 5 Years | Failed |
| February 2006 | Emergency | \$6,463,000 | 5 Years | Passed |

Note 11 – Self-Insurance Fund

The School District provides health 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 into the internal service fund the monthly charges for family and single coverage, from the fund that pays the salary for the employee. The monthly charges for single and family participation in the program are recommended by the third party administrator and set by the Board. The self-insurance fund pays claims for up to \$300,000 per individual. Claims in excess of \$300,000 and up to \$1,000,000 per person, per year, are covered by a stop-loss insurance policy. The charges to the funds are anticipated to be sufficient to cover claims and administrative charges during the forecasted period.

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Summary of Significant Assumptions and Accounting Policies
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Note 12 – 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 13 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. There are certain funds that annually rely upon advances from the General Fund to meet their obligations. These advances are addressed in Note 7H.

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Summary of Significant Assumptions and Accounting Policies
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Mary Taylor, CPA
Auditor of State

SPRINGFIELD CITY SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2009**