Auditor of State
Betty Montgomery

Springfield City School District
Clark County, Ohio

Financial Forecast
For The Fiscal Year Ending June 30, 2006

Local Government Services Section

Springfield City School District
Clark County

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

and

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the General Fund of the Springfield City School District, Clark County, Ohio, and issued a report dated May 23, 2006. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating balance for the fiscal year ending June 30, 2006 of $4,156,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2007 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating surplus may be increased to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2006.

Peter R. Sorem

Peter R. Sorem
Chief of Local Government Services

May 23, 2006

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Betty Montgomery

Board of Education
Springfield City School District
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Independent Accountant's Report

We have examined the accompanying forecasted Statement of Revenues, Expenditures and Changes In Fund Balance of the General Fund of the Springfield City School District for the fiscal year ending June 30, 2006. 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 the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund of Springfield City School District for the fiscal years ended June 30, 2003, 2004, and 2005 were compiled by us in accordance with the Statement 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 20, 2006

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Springfield City School District
Clark County
Statement of Revenues, Expenditures and Changes In Fund Balance
For The Fiscal Years Ended June 30, 2003 Through 2005, Actual;
For The Fiscal Year Ending June 30, 2006, Forecasted
General Fund

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Forecasted
Revenues				
General Property Tax	$14,192,000	$14,257,000	$14,596,000	$14,741,000
Tangible Personal Property Tax	3,018,000	2,614,000	3,704,000	2,900,000
Unrestricted Grants-in-Aid	39,008,000	43,734,000	45,014,000	44,750,000
Restricted Grants-in-Aid	7,247,000	4,754,000	5,380,000	5,650,000
Property Tax Allocation	2,130,000	2,095,000	2,107,000	1,989,000
All Other Revenues	2,041,000	1,996,000	2,595,000	2,166,000
Total Revenues	67,636,000	69,450,000	73,396,000	72,196,000
Other Financing Sources				
Refund of Prior Year Expenditures	199,000	5,000	0	0
Proceeds of Tax Anticipation Notes	0	0	3,700,000	6,463,000
Proceeds of Solvency Assistance Advance	0	0	7,554,000	0
Advances In	121,000	916,000	0	0
Sale of Capital Assets	36,000	15,000	0	0
Total Other Financing Sources	356,000	936,000	11,254,000	6,463,000
Total Revenues and Other Financing Sources	67,992,000	70,386,000	84,650,000	78,659,000
Expenditures				
Personal Services	50,301,000	48,310,000	46,550,000	40,745,000
Employees' Retirement/Insurance Benefits	15,119,000	15,096,000	17,159,000	16,854,000
Purchased Services	6,639,000	8,856,000	11,081,000	12,785,000
Supplies and Materials	1,653,000	1,098,000	607,000	1,106,000
Capital Outlay	138,000	142,000	43,000	54,000
Debt Service:				
Principal-Notes	197,000	198,000	3,700,000	0
Principal-HB 264 Loans	126,000	120,000	0	0
Principal-Solvency Assistance Advance	0	0	0	3,777,000
Interest	0	0	69,000	0
Other Objects	841,000	833,000	1,022,000	833,000
Total Expenditures	75,014,000	74,653,000	80,231,000	76,154,000
Other Financing Uses				
Advances Out	916,000	0	0	0
Total Expenditures and Other Financing Uses	75,930,000	74,653,000	80,231,000	76,154,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,938,000)	(4,267,000)	4,419,000	2,505,000
Cash Balance (Deficit) July 1	10,461,000	2,523,000	(1,744,000)	2,675,000
Cash Balance (Deficit) June 30	2,523,000	(1,744,000)	2,675,000	5,180,000
Reservations of Fund Balance for				
Encumbrances at June 30	774,000	524,000	248,000	425,000
Textbooks and Instructional Materials	0	320,000	863,000	556,000
Budget Reserve	856,000	0	0	0
Bus Purchase	93,000	0	22,000	43,000
Debt Service	318,000	0	0	0
Total Reservations of Fund Balance	2,041,000	844,000	1,133,000	1,024,000
Unreserved Fund Balance (Deficit) June 30	$482,000	($2,588,000)	$1,542,000	$4,156,000

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

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 369 non-certified employees, 575 certified full-time teaching personnel, and 28 administrators, who provide services to 8,609 students and other community members.

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 March 20, 2006, 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 Disadvantaged Pupil Impact Aid (DPIA) Fund is included in the General Fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain 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 are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds are used to 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 are used to account for financial resources used for the acquisition or construction of major capital facilities (other that those financed by proprietary funds).

Proprietary Funds

Internal Service Fund – Internal service funds may be used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting accounts for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trusts 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 fiscal year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Clark County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

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

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

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 consist of real property, public utility real and personal property, manufactured homes and tangible personal property used in business. Property taxes are collected for, and distributed to, the school districts in the county 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 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 includes amounts levied against all real, public utility real and tangible, and business tangible personal property located in the School District. Property tax revenue received during calendar year 2005 for real and public utility property taxes represents collections of calendar year 2004 taxes. Property tax payments received during calendar year 2005 for tangible personal property (other than public utility property) are for calendar year 2005 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 calendar year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial property. This change will increase real property taxes collected against commercial and industrial real property and decrease property tax allocation revenue.

The forecast excludes the receipt of any advances against fiscal year 2007 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating surplus may be increased to the extent advances are received prior to June 30, 2006 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2006.

The property tax revenues for the School District 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:

Tax Levies	Year Approved	Last Year of Collection	Full Tax Rate (Per $1,000 of Assessed Valuation)
Inside Ten Mill Limitation	n/a	n/a	$6.60
Continuing Operating	Prior to 1976	n/a	26.50
Continuing Operating	1987	n/a	7.00
Current Operating	2005	2011	7.00
Total Tax Rate			$47.10

The School District has other levies for bonded debt, classroom facilities maintenance, and permanent improvements totaling $8.45 per $1,000 of assessed valuation. The School District's total rate is $55.55 per $1,000 of assessed valuation.

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 represents gross property tax revenue. The estimated general property tax revenue is based upon the actual August 2005 settlement and the anticipated 2006 February settlement which has been delayed. The February settlement is based on the assessed valuations and levy rates for taxes to be collected in calendar year 2006. The County completed a re-appraisal which increased assessed valuations and the real estate property taxes collected for fiscal years 2005 and 2006.

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 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 property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. For the General Fund, the effective residential and agricultural real property tax rate is $21.94 per $1,000 of assessed valuation and the effective commercial and industrial real property tax rate is $31.48 per $1,000 of assessed valuation for the collection year 2006.

Public utility real and personal property taxes are collected and settled by the county as 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 will switch telephone companies from being public utilities to general business taxpayers and phase out the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after 2010 on local and inter-exchange telephone companies. The State of Ohio will reimburse 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).

In February 2006, the voters of the School District approved a five-year emergency levy that will generate $6,460,000, annually. The levy will be collected beginning January 2007. Under State law, the School District, prior to the first year of collection, may issue notes in anticipation of the tax revenue to be collected. The amount of the notes is equal to one year's revenue. The School District anticipates issuing the notes before the end of the fiscal year.

Tangible Personal Property Tax - Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on business inventory, currently at 23 percent, 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, HB 66 will phase out, by 25 percent each year, tangible personal property tax on most businesses' 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 2009 from general business taxpayers (except telephone companies, whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the 2005 tangible personal property tax collections, will lose approximately $2,775,000 when the tangible personal property tax is completely phased out in 2009. These changes do not affect tangible personal property of public utilities. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Property Tax Allocation below).

Tangible personal property tax revenues include the actual settlement for October 2005 and an estimate for the June 2006 personal property tax settlement. The changes in revenue in prior years and the forecast period are due to decreases in assessed valuation from business closing or moving from the School District and from the HB 66 phase out of Tangible Personal Property Taxes.

The State exempted the first $10,000 in personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State was phasing out the reimbursement by 10 percent each year. The reimbursement is included in property tax allocation revenue.

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments and reimbursement for lost revenue due to utility deregulation. 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 charge-off supplement which are provided to address certain policy issues or correct flaws in formula aid are also included in this revenue.

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

Fiscal Year	Per Pupil Foundation Level
2003	$4,949
2004	5,058
2005	5,169
2006	5,283

The anticipated unrestricted grants-in-aid for fiscal year 2006 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the January school foundation statement for fiscal year 2006, and the amounts for the last three fiscal years are as follows:

	Actual			Forecasted	Variance
	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Between FY 05 and FY 06
Formula Aid	$34,207,000	$33,886,000	$34,504,000	$33,307,000	($1,197,000)
Categorical Funding	3,900,000	3,912,000	3,933,000	4,065,000	132,000
Equity Aid	485,000	378,000	174,000	0	(174,000)
Parity Aid	0	3,587,000	4,925,000	5,157,000	232,000
Reappraisal Guarantee	0	0	0	460,000	460,000
Transportation	1,289,000	1,308,000	1,337,000	1,356,000	19,000
Other	0	0	320,000	418,000	98,000
Budget Reduction	(487,000)	0	0	0	0
Prior Year SF-3 Adjustments	(386,000)	663,000	(179,000)	(13,000)	166,000
Total Unrestricted	$39,008,000	$43,734,000	$45,014,000	$44,750,000	($264,000)

Formula Aid is decreasing due to the loss of 287.7 in ADM, an increase in the 23 mill charge off, off-set by an increase in the per pupil foundation level. Formula Aid also includes add on building blocks and a formula aid guarantee add on which are new sources in fiscal year 2006. Equity aid was phased out each year through fiscal year 2005. Parity aid continues its phase in with the percentage of the calculated amount going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and 100 percent in fiscal year 2006.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance/DPIA monies. For fiscal year 2006, the School District anticipates $21,000 in bus purchase allowance, $41,000 in career tech monies and $5,588,000 in Poverty Based Assistance monies which replaced the DPIA program. A $270,000 increase is anticipated from the prior year due primarily to the School District receiving an increase in Poverty Based Assistance/DPIA monies.

D. - Property Tax Allocation

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

Beginning in fiscal year 2006, the State will reimburse the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessment values under prior law and the assessment values under HB 66. This means the School District is only reimbursed for the difference between prior law and the phase-outs in HB 66.

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

E. - All Other Revenues

All other revenues include tuition, interest on investments, student class and book fees, extracurricular activity fees, the Community Alternative Funding System (CAFS), miscellaneous receipts and donations.

Interest is based on historical investment practices and anticipated rates 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 going to the General Fund.

The decrease in estimated revenues is due to the decrease in tuition. The tuition decrease was due to a decrease in Open Enrollment Adjustments and tuition from neighboring school districts.

F. – Other Financing Sources

In fiscal year 2006, the School District will issue a $6,463,000 tax anticipation notes. These notes will be issued against the emergency levy approved by the voters in February, 2006.

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, board members, and student workers. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Staff levels for the School District have decreased from 1,689 in May of 2004 to 1,515 in May of 2005 and 1,287 in February, 2006.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covered the period August 1, 2002 to July 31, 2005, and was extended by the Board of Education to fiscal year 2006. The contract allows for step increases from three to four percent each year. No base or step increases were given in fiscal year 2006. The contract for classified staff covered the period October 1, 2001 to September 30, 2004 and was extended until September 30, 2006. It allowed for step increases in fiscal year 2006; however, no base salary increases were given. The contract for certified and classified administrative salaries and select exempt administrative salaries covered the period August 1, 2003 through July 31, 2004 and was extended through July 31, 2006. No raises were given to administrative staff during fiscal year 2006. The salaries for the remaining staff are set by the Board of Education.

The forecast for salaries includes the actual amounts paid through January 13, 2006 and the estimated salaries for the remainder of the fiscal year. The estimated salaries are based on the salary listing provided by the School District for active employees at January 23, 2006. Estimates were calculated for temporary employees, supplemental pay, and overtime. The decrease in salaries is due to the significant reduction in staff from fiscal year 2005 to fiscal year 2006 and during fiscal year 2006. Staffing levels in the General and DPIA Funds decreased from 916 in June 2005 to 775 in February 2006. While there was a reduction of 141 positions, 17 positions were transferred from the General Fund to other funds and an additional 11 positions are to be transferred to other funds. The School District does not anticipate any additional staff reductions for the remainder of fiscal year 2006.

The School District offers severance pay upon retirement to its certified and classified employees with ten or more years of service in the School District. Payments for certified employees are one fourth of their unused sick leave, not to exceed a total payment of 60 days. Payments for classified employees are one fourth of their unused sick leave of the first 120 days and ten percent of the unused sick leave above the first 120 days, up to a maximum of 54 days paid. Due to the Employee Severance Plan that was offered in fiscal year 2004, the School District does not anticipate any significant severance payments in fiscal year 2006.

Presented below is a comparison of salaries and wages for fiscal years 2003, 2004, 2005 and the forecast period.

	Actual			Forecasted	Variance
	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Increase (Decrease)
Certified Salaries	$37,478,000	$35,946,000	$35,514,000	$32,182,000	(3,332,000)
Classified Salaries	9,643,000	9,511,000	8,372,000	6,843,000	(1,529,000)
Certified Supplemental and Temporary Salaries	2,257,000	2,026,000	1,899,000	1,104,000	(795,000)
Classified Supplemental and Temporary Salaries	923,000	827,000	765,000	616,000	(149,000)
Total	$50,301,000	$48,310,000	$46,550,000	$40,745,000	($5,805,000)

B. – Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS. An additional two percent is charged for SERS to cover the annual SERS surcharge. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. Retirement costs are forecasted to decrease based on the estimated payments for the fiscal year. The established payments take into account the staff reductions for fiscal year 2006.

The School District experienced a nine percent increase in health insurance premiums effective January, 2006. Dental and life insurance premiums increased slightly from fiscal year 2005. The monthly premium for dental insurance is $51 for all employees. The monthly premium for life insurance is $9 for teachers and administrators, $5 for full time classified employees and $4 for part-time classified employees. The monthly premium for medical insurance is $389 for single and $1,091 for family, an increase of $32 and $90, respectively, from fiscal year 2005. The percentage of health insurance paid by the Board of Education varies from 42 to 89 percent depending on the employee group as follows:

	Effective 1/1/06				Effective 1/1/05			
	Single		Family		Single		Family	
	Board Share	Employee Share	Board Share	Employee Share	Board Share	Employee Share	Board Share	Employee Share
Teachers	$323.28	$66.20	$905.38	$185.44	$296.56	$60.74	$830.64	$170.12
Administrators	323.28	66.20	905.38	185.44	321.58	35.72	900.68	131.40
Interpreters	331.04	58.44	959.42	131.40	303.70	53.60	869.36	113.14
Classified	348.96	40.52	977.68	348.96	316.78	40.52	887.62	113.14

Workers' compensation premiums are calculated on calendar year wages and are either paid in full in May or 45 percent in May and 55 percent in September of the following year. The workers' compensation premium for 2005 wages increased significantly because of an increase in the rate, from $2.33 per hundred dollars of payroll for 2004 to $3.18 per hundred dollars of payroll for 2005. The School District did not receive a premium reduction for 2005. In prior fiscal years, the School District received a premium reduction of 50 percent of the premiums paid in fiscal year 2003 and 20 percent in fiscal years 2004 and 2005. For fiscal years 2005 and 2006, the School District has elected to pay 45 percent of the premiums due in May and the balance in September, rather than the entire amount in May as in fiscal years 2003 and 2004.

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. 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. The Plan provides teachers, administrators, and support staff with 100 percent of their base salary up to a maximum of $50,000, $60,000, or $20,000, respectively, for one year plus their contractual severance pay. The election period began March 11, 2004 and ended April 26, 2004. Approximately 90 employees elected to participate in the plan. Under the plan, the School District will pay one-third of the amount due each year through 2007 into a post employment account under section 403(b) of the Internal Revenue Code.

C. - Purchased Services

Purchased service expenditures are comprised of professional and technical services, property services (repairs and maintenance, rentals, and lease purchase agreements), travel mileage/meeting expenses, communication (advertising, postage, and telephone services), utilities services, tuition, pupil transportation, and other purchased services. The most significant increases are tuition payments for open enrollment and community school students and utility payments for electricity and natural gas due to the new school buildings. These new buildings have air conditioning, unlike the old buildings.

D. - Supplies and Materials

Supplies and materials are comprised of general supplies, textbooks, periodicals, newspapers, films and filmstrips, and food and related supplies and materials. In fiscal years 2004 and 2005, the School District cut costs for general supplies. However, in 2006, the School District forecasts an increase mainly due to increased fuel costs for the buses and an increased need for general supplies.

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements is to report the expenditure of resources, not costs.

The School District has a permanent improvement fund that generates approximately $770,000, annually. The School District uses this fund to make most of its capital expenditures.

F. – Debt Service

General Fund supported debt consists of tax anticipation notes and a Solvency Assistance Fund Advance. The notes are due in equal amounts over five years. In fiscal year 2005, the School District received a Solvency Assistance Fund Advance from the State in the amount of $7,554,000. The solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of the nine reasons identified in Section 3304-92-03 of the Ohio Administrative Code. The advance is repaid over two years from State foundation revenues.

G. - Other Objects

Other object expenditures consist of dues, fees, and insurance. The $189,000 decrease from fiscal year 2005 is mainly due to a decrease in property and liability insurance from the deletion of old buildings.

H. - Operating Transfers and Advances Out

The School District does not anticipate any operating transfers or advances out in fiscal year 2006.

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 expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the General Fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2005 were $248,000 and are forecasted at $425,000 for June 30, 2006 mainly due to the increase forecasted for supplies and material purchases.

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the General Fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

Beginning in fiscal year 2006, HB 66 allows school districts in fiscal emergency to set aside less than the annual required set aside amount or set aside nothing in the textbook and instruction materials and the capital and maintenance set asides. The Board of Education, by resolution dated February 9, 2006, has chosen to set aside no current year revenues in the textbook and instruction materials and the capital and maintenance set asides for the current fiscal year.

A. - Textbooks and Instructional Materials Set Aside

The School District had a carryover balance from fiscal year 2005 of $819,000. During fiscal year 2006, the School District anticipates $263,000 in qualified expenditures; therefore, a reserve of $556,000 for textbooks and instructional materials is forecasted for fiscal year 2006.

B. - Capital Acquisition and Improvements Set Aside

The School District had no carryover balance from fiscal year 2005; therefore, no reserve for capital acquisition is forecasted.

C. – Budget Reserve

Effective April 10, 2001, Amended Senate Bill 345, deleted from law the requirement for school districts to establish and appropriate money for budget stabilization. The monies on hand in the School District's budget reserve may, at the discretion of the Board, be returned to the School District's General Fund or may be left in the account and used by the Board to offset a budget deficit the School District may experience in future years. The School District utilized their budget reserve in fiscal year 2004.

D. – Bus Purchases

At June 30, 2005, the School District had $22,000 in unspent bus monies. The School District anticipates receipt of $21,000 in a bus purchase allowance during fiscal year 2006. The School District does not anticipate purchasing a new public school bus during the current fiscal year. Therefore, a reserve of $43,000 is forecasted for future bus purchase.

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:

Date	Type	Amount	Term	Election Results
November 1995	Operating	7.00 mills	5 Years	Passed
November 1995	Emergency	$1,730,639	5 Years	Failed
March 1996	Emergency	$1,730,639	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	$6,962,462	5 Years	Failed
November 2004	Emergency	$6,134,871	5 Years	Failed
February 2005	Emergency	$6,134,871	5 Years	Failed
May 2005	Renewal of Operating	7.00 mills	5 Years	Passed
November 2005	Emergency	$7,812,921	5 Years	Failed
February 2006	Emergency	$6,462,895	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 premiums for family and single coverage, from the fund that pays the salary for the employee. The monthly premiums for single and family participation in the program are recommended by the third party administrator. The premiums charged to the funds are anticipated to be sufficient to cover claims and administrative charges for fiscal year 2006.

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 – Financial Planning and Supervision Commission

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, the School District Superintendent, the State Director of Budget and Management, the Clark County Auditor, an appointee of the Superintendent of Public Instruction, and an appointee of the Governor.

The Commission's primary charge is to develop, adopt and implement a financial recovery plan. The recovery plan was adopted on June 5, 2005. State law requires the plan to be updated annually. On September 1, 2005, the Board and the Commission revised the recovery plan for fiscal year 2006. The updated recovery plan for fiscal year 2006 included reductions of 66 staff positions, special education staff (including the supervisor) for $650,000, and supplemental contracts for $100,000.

Note 14 – Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. The financial plan for the fiscal years 2006 through 2010 was filed on November 4, 2005. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The financial plan assumes the continued operation of the School District. In February 2006, the voters of the School District approved an emergency 9 mill levy for five years. The proceeds are anticipated to enable the District to operate and maintain a positive balance for the next four fiscal years. Also, the plan assumes a slight increase in base salaries for fiscal year 2007 – 2010 and the reduction of 66 staff positions as well as the reduction of special education staff and supplemental contracts for fiscal year 2006. The recovery plan, dated September 26, 2005, does not address periods beyond fiscal year 2006.

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

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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
MAY 23, 2006