Mary Taylor, CPA
Auditor of State

Springfield City School District
Clark County, Ohio

Financial Forecast
For The Fiscal Year Ending June 30, 2007

Local Government Services Section

Springfield City School District
Clark County

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Financial Planning and Supervision Commission
Ohio Department of Education
615 West Superior, Room 545
Cleveland, Ohio 44113-1801

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 March 7, 2007. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating balance for the fiscal year ending June 30, 2007 of $4,991,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2008 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. 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 2007.

MARY TAYLOR, CPA
Auditor of State

Peter R. Sorem

Peter R. Sorem
Chief of Local Government Services

March 30, 2007

Mary Taylor, CPA
Auditor of State

Board of Education
Springfield City School District
700 South Limestone Street
Springfield, Ohio 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 year ending June 30, 2007. 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 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, 2004, 2005, and 2006 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.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

March 7, 2007

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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, 2004 Through 2006, Actual;
For The Fiscal Year Ending June 30, 2007, Forecasted
General Fund

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Forecasted
Revenues				
General Property Tax	$14,257,000	$14,596,000	$15,133,000	$18,254,000
Tangible Personal Property Tax	2,614,000	3,704,000	2,778,000	1,902,000
Unrestricted Grants-in-Aid	43,734,000	45,014,000	44,510,000	43,511,000
Restricted Grants-in-Aid	4,754,000	5,380,000	5,819,000	6,588,000
Property Tax Allocation	2,095,000	2,107,000	2,202,000	2,897,000
All Other Revenues	1,996,000	2,595,000	2,897,000	2,628,000
Total Revenues	69,450,000	73,396,000	73,339,000	75,780,000
Other Financing Sources				
Refund of Prior Year Expenditures	5,000	0	0	0
Proceeds of Tax Anticipation Notes	0	3,700,000	6,462,000	0
Proceeds of Solvency Assistance Advance	0	7,554,000	0	0
Advances In	916,000	0	0	31,000
Sale of Capital Assets	15,000	0	0	0
Total Other Financing Sources	936,000	11,254,000	6,462,000	31,000
Total Revenues and Other Financing Sources	70,386,000	84,650,000	79,801,000	75,811,000
Expenditures				
Personal Services	48,310,000	46,550,000	40,364,000	38,052,000
Employees' Retirement/Insurance Benefits	15,096,000	17,159,000	17,042,000	15,697,000
Purchased Services	8,856,000	11,081,000	13,058,000	13,989,000
Supplies and Materials	1,098,000	607,000	747,000	1,759,000
Capital Outlay	142,000	43,000	1,000	318,000
Debt Service:				
Principal-Notes	198,000	3,700,000	0	0
Principal-HB 264 Loans	120,000	0	0	0
Principal-Solvency Assistance Advance	0	0	3,777,000	3,777,000
Interest	0	69,000	0	0
Other Objects	833,000	1,022,000	615,000	616,000
Total Expenditures	74,653,000	80,231,000	75,604,000	74,208,000
Other Financing Uses				
Operating Transfers Out	0	0	0	19,000
Advances Out	0	0	31,000	25,000
Total Other Financing Uses	0	0	31,000	44,000
Total Expenditures and Other Financing Uses	74,653,000	80,231,000	75,635,000	74,252,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,267,000)	4,419,000	4,166,000	1,559,000
Cash Balance (Deficit) July 1	2,523,000	(1,744,000)	2,675,000	6,841,000
Cash Balance (Deficit) June 30	(1,744,000)	2,675,000	6,841,000	8,400,000
Reservations of Fund Balance for				
Encumbrances at June 30	524,000	248,000	250,000	250,000
Textbooks and Instructional Materials	320,000	863,000	475,000	524,000
Poverty Based Assistance	0	0	2,615,000	2,736,000
Bus Purchases	0	22,000	46,000	64,000
Total Reservations of Fund Balance	844,000	1,133,000	3,386,000	3,574,000
Unreserved Fund Balance (Deficit) June 30	($2,588,000)	$1,542,000	$3,455,000	$4,826,000

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 347 full and part-time non-certified employees, 562 certified full-time teaching personnel, and 30 administrators, who provide services to 8,500 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 7, 2007, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the General Fund. Under State law, certain General Fund 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.

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 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 – Under Section 5705.281, Revised Code, the Clark County Budget Commission has adopted an alternative tax budget. The alternative tax budget includes five schedules to be completed by the School District and returned to the County Auditor. Although the formal requirement has been waived, the Board adopts by January 15 a tax budget for the fiscal year commencing the following July 1. The Board-adopted budget is filled 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.

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 Clark 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 received during calendar year 2006 (the collection year) for real and public utility property taxes represents collections of calendar year 2005 taxes (the tax year). Property tax payments received during calendar year 2006 for tangible personal property (other than public utility property) are for calendar year 2006 taxes. First half calendar year tax collections are received by the 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 increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Prior to fiscal year-end, a School District may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against 2008 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 appropriate any such advances for fiscal year 2007.

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 Calendar 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
Emergency Operating	2005	2010	7.00
Emergency Operating	2006	2011	9.00
Total Tax Rate			$56.10

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 tax rate is $64.55 per $1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of some voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to these voted levies so that each levy yields the same amount of property tax revenues on carry-over property from 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 public utility and general tangible property tax levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the General Fund operating levies (exclusing emergency levies) plus inside millage used for operating purposes below 20 mills. The effective residential and agricultural real property tax rate is $30.94 per $1,000 of assessed valuation and the effective commercial and industrial real property tax rate is $40.52 per $1,000 of assessed valuation for the collection year 2007.

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 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).

<u>General Property Tax</u> – The general property tax revenue account appearing on the forecast statement 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 2006 settlement and the anticipated 2007 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 2007, including the new five-year emergency levy approved in February 2006.

<u>Tangible Personal Property Tax</u> - Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax year 2005, the assessment rate on business inventory was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it was 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 business inventory, 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 machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the last year of collection before the phase out of tangible personal property tax, will lose approximately $2,800,000 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 2006 and an estimate for the June 2007 personal property tax settlement. The $876,000 decrease in tangible personal property tax revenues for the forecast period compared to the prior fiscal year is due to the phase out of the tax.

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid 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 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. Historically, the per pupil amount has increased 2.2 percent since 2004. The per pupil amount for fiscal years 2004 to 2007 is as follows:

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

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

	Actual			Forecasted	Variance
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Between FY 06 and FY 07
Formula Aid	$33,886,000	$34,504,000	$33,297,000	$33,019,000	($278,000)
Categorical Funding	3,912,000	3,933,000	3,956,000	3,788,000	(168,000)
Equity Aid	378,000	174,000	0	0	0
Parity Aid	3,587,000	4,925,000	5,109,000	5,358,000	249,000
Reappraisal Guarantee	0	0	438,000	0	(438,000)
Transportation	1,308,000	1,337,000	1,343,000	1,362,000	19,000
Other	0	320,000	209,000	0	(209,000)
Prior Year SF-3 Adjustments	663,000	(179,000)	158,000	(16,000)	(174,000)
Total Unrestricted	$43,734,000	$45,014,000	$44,510,000	$43,511,000	($999,000)

Formula Aid and categorical funding are anticipated to decrease due to a decrease of 75 students in ADM. Parity aid is revenue provided to school districts which fall below the 80th percentile of the "per pupil wealth threshold". Parity aid has been phased in with the percentage of the distribution going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and to 100 percent in fiscal year 2006. Reappraisal Guarantee is a one year guarantee that safeguards school districts from decreases in total State aid that result from an update or reappraisal. The School District had a Reappraisal Guarantee in fiscal year 2006 due to the county reappraisal in tax year 2004/collection year 2005.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance monies. The anticipated revenue for restricted grants-in-aid for fiscal year 2007 is based on estimated obtained from the Ohio Department of Education. For fiscal year 2007, the School District anticipates $24,000 in bus purchase allowance and $95,000 in career tech monies. In addition, the School District anticipates $6,469,000 in Poverty Based Assistance monies which is an increase of $891,000 from fiscal year 2006. This is due to the phased in increases for both intervention and professional development from 60 and 40 percent in 2006, respectively, to 100 and 70 percent in 2007, respectively. A decrease of $122,000 is anticipated for career tech monies due to the fact that the JVS satellite program was terminated in fiscal year 2007.

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.

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

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new State consumption taxes were enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August and are identified as utility deregulation payments. For fiscal year 2007, the School District anticipates $341,000 in public utility reimbursement based on information provided by the Ohio Department of Taxation.

Beginning in fiscal year 2006, the State will reimburse the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by 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 the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in HB 66 are implemented.

Property tax allocation revenue, based on the information provided by the Clark County Auditor and the Ohio Department of Taxation, is anticipated to increase $695,000 in fiscal year 2007.

E. - All Other Revenues

All other revenues include tuition, interest on investments, student class and book fees, extracurricular activity fees, 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 $269,000 decrease in estimated revenues is due to the decrease in tuition and the elimination of the Community Alternative Funding System (CAFS). The tuition decrease was due to a decrease in Open Enrollment Adjustments and tuition from neighboring school districts.

F. – Other Financing Sources

During fiscal year 2005, the School District received $7,554,000 in a State solvency assistance advance. The advance will be repaid without interest in fiscal years 2007 and 2008. The School District issued $6,462,000 in tax anticipation notes during fiscal year 2006. These notes were issued against the emergency levy approved by the voters in February, 2006 and will be retired equally over 5 years starting in fiscal year 2008. The General Fund is forecasting the return of advances made in fiscal year 2006 to various State and Federal grant funds in the amount of $31,000.

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 General and Poverty Based Assistance Funds were 798 in January of 2006, 747 in May of 2006 and 756 in January of 2007.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period July 1, 2006 to June 30, 2009. The contract allows for step increases from three to four percent each year and one percent base increases for fiscal year 2007. The contract for classified staff covered the period October 1, 2001 to September 30, 2004 and was extended until September 30, 2006. This contract is currently under negotiation while the School District operates under the previous contract. The previous contract allowed for step increases in fiscal year 2007; however, no base salary increases were given. The School District anticipates a base increase of one percent retroactive to July 1, 2006 for classified staff. 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, 2007. A one percent increase was given to administrative staff during fiscal year 2007. The salaries for the remaining staff are set by the Board of Education.

The forecast for salaries includes the actual amounts paid through January 21, 2007 and the estimated salaries for the remainder of the fiscal year. The estimated salaries are based on existing staff levels at January 30, 2007 and estimates for temporary employees, supplemental pay, and overtime. The decrease in salaries is due to the significant reduction in staff that occurred in February, 2006. The reduction during fiscal year 2006 affected less than half of that fiscal year but all of fiscal year 2007. Staffing levels in the General and Poverty Based Assistance Funds decreased by 42 from January of 2006 to January of 2007. The School District does not anticipate any additional staff reductions for the remainder of fiscal year 2007. The increase to certified supplemental and temporary salaries is mainly due to the increase in tutor hours in the Poverty Based Assistance Fund.

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 in which approximately 90 employees participated, the School District does not anticipate any significant severance payments in fiscal year 2007.

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

	Actual			Forecasted	Variance
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Between FY 06 and Fy 07
Certified Salaries	$35,946,000	$35,514,000	$31,180,000	$29,252,000	($1,928,000)
Classified Salaries	9,511,000	8,372,000	6,913,000	6,134,000	(779,000)
Certified Supplemental and Temporary Salaries	2,026,000	1,899,000	1,649,000	2,166,000	517,000
Classified Supplemental and Temporary Salaries	827,000	765,000	622,000	500,000	(122,000)
Total	$48,310,000	$46,550,000	$40,364,000	$38,052,000	($2,312,000)

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 salaries for the fiscal year. The established payments take into account the staff reductions for fiscal year 2007.

Medicare benefits are based on the employers' rate of 1.45 percent of the payroll costs for contributing staff.

The School District experienced a seven percent increase in health insurance premiums effective January, 2007. Dental and life insurance premiums increased slightly from fiscal year 2006. The monthly premium for dental insurance is $54 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 $417 for single and $1,167 for family, an increase of $28 and $76, respectively, from fiscal year 2006. The percentage of health insurance paid by the Board of Education varies from 83 to 90 percent depending on the employee group as follows:

	Effective 1/1/07				Effective 1/1/06			
	Single		Family		Single		Family	
	Board Share	Employee Share	Board Share	Employee Share	Board Share	Employee Share	Board Share	Employee Share
Teachers	$345.90	$70.84	$968.76	$198.42	$323.28	$66.20	$905.38	$185.44
Administrators	345.90	70.84	968.76	198.42	323.28	66.20	905.38	185.44
Interpreters	355.36	61.38	1,035.78	131.40	331.04	58.44	959.42	131.40
Classified	376.22	40.52	1,054.04	113.14	348.96	40.52	977.68	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 fiscal year. The workers' compensation premium for 2006 increased because the percentage of employees paid from the General and Poverty Based Assistance Funds increased. The impact of the increase was lessened due to the decrease in the rate from $3.18 per hundred dollars of payroll for 2005 to $3.00 per hundred dollars of payroll for 2006. The School District did not receive a premium reduction for 2005 or 2006. In prior fiscal years, the School District received a premium reduction of 20 percent in fiscal years 2004 and 2005. For fiscal years 2005, 2006, and 2007, 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 year 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 provided 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. 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 will pay 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.

Presented below is a comparison for the last three fiscal year and the forecasted period.

	Actual			Forecasted	Variance
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Between FY 06 and Fy 07
STRS Retirement	$1,758,000	$1,759,000	$1,560,000	$1,150,000	($410,000)
SERS Retirement	5,779,000	5,478,000	5,317,000	4,341,000	(976,000)
Early Retirement Incentive	0	1,727,000	2,252,000	2,056,000	(196,000)
Medical Insurance	5,885,000	6,107,000	5,621,000	5,814,000	193,000
Other Employee Insurances	690,000	606,000	517,000	535,000	18,000
Medicare/Social Security					
Workers Compensation	678,000	1,100,000	1,438,000	1,628,000	190,000
Unemployment	134,000	249,000	240,000	93,000	(147,000)
Reimbursements	172,000	133,000	97,000	80,000	(17,000)
Total	$15,096,000	$17,159,000	$17,042,000	$15,697,000	($1,345,000)

C. - Purchased Services

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

	Actual			Forecasted	Variance
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Between FY 06 and FY 07
Professional and Technical Services	$528,000	$391,000	$397,000	$536,000	$139,000
Property Services	1,029,000	704,000	875,000	901,000	26,000
Travel and Meeting Expenses	158,000	67,000	34,000	35,000	1,000
Communication Costs	333,000	292,000	226,000	292,000	66,000
Utility Services	1,512,000	2,127,000	2,646,000	3,008,000	362,000
Contracted Craft/Trade Services	28,000	25,000	1,000	1,000	0
Open Enrollment/Tuition Payments	5,229,000	7,421,000	8,834,000	9,170,000	336,000
Pupil Transportation	4,000	1,000	0	0	0
Other Purchased Services	35,000	53,000	45,000	46,000	1,000
Totals	$8,856,000	$11,081,000	$13,058,000	$13,989,000	$931,000

The most significant increases are professional and technical services, tuition payments for open enrollment and community school students and utility payments for electricity and natural gas due to the opening of new school buildings. These new buildings have air conditioning, unlike the old buildings. Tuition for open enrollment and community school increased mainly due to the 2.2 percent increase in the per pupil foundation amount as well as an increase of 22 students in open enrollment. Professional and technical services have increased because of the legal services for union contract negotiations.

D. - Supplies and Materials

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

	Actual			Forecasted	Variance
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Between FY 07
General Supplies	$610,000	$182,000	$358,000	$811,000	$453,000
Operations, Maintenance and Repair	462,000	400,000	374,000	543,000	169,000
Textbooks, Library Books					0
and Periodicals	18,000	25,000	12,000	405,000	393,000
Other Supplies and Materials	8,000	0	3,000	0	(3,000)
Totals	$1,098,000	$607,000	$747,000	$1,759,000	$1,012,000

In fiscal year 2006, the School District passed a Board resolution to set aside no current year revenue in the textbook and instruction materials set-asides under Section 3315.17, Revised Code. There was no waiver of the set-aside requirement for fiscal year 2007. The forecast for purchased services includes the actual amounts paid through January 21, 2007 and the estimated purchased services for the remainder of the fiscal year. The School District anticipates the increase in both general supplies and textbooks in fiscal year 2007 due to the qualifying expenditures for textbook and instructional materials set-asides. The increase in operations, maintenance and repair supplies is due to anticipated necessary repairs to older buildings within the School District.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment used for general government services is recorded as an expenditure. Capital outlay is anticipated to increase in fiscal year 2007 due to the School District purchasing imaging equipment, time and attendance equipment, replacement phones, and a maintenance vehicle.

The School District has a Permanent Improvement Fund that generates approximately $778,000, 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 starting in fiscal year 2008. 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 objects expenditures consist of dues, fees, and insurance. These expenditures are anticipated to remain approximately the same between fiscal years 2006 and 2007.

H. - Operating Transfers and Advances Out

The School District expects to make a transfer of $19,000 to the Miscellaneous State Grant Fund in fiscal year 2007 to reduce an expected cash deficit. The School District also anticipates advancing $25,000 to various grant funds in fiscal year 2007.

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 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, 2006 were $250,000. The School District anticipates similar items to be encumbered in the same amount of $250,000 as of June 30, 2007.

Note 9 - Reservations of Fund Balance

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

A. - Textbooks and Instructional Materials Set-Aside

The set-aside amount for fiscal year 2007 is $1,291,000 per the SB 345 method. There was a carryover balance of $475,000 from fiscal year 2006. The School District anticipates $1,242,000 in qualifying expenditures during the current fiscal year. Therefore, a reserve amount of $524,000 is forecasted for textbooks and instructional materials.

B. - Capital Acquisition and Improvements Set-Aside

The set-aside amount for fiscal year 2007 is $1,291,000 per the SB 345 method. The School District anticipates $778,000 in offsets and $622,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve for capital acquisition and improvements is forecasted.

C. – Poverty Based Assistance

At June 30, 2006, the School District had $2,615,000 in unspent Poverty Based Assistance monies. The School District anticipates receiving $6,469,000 in restricted Poverty Based Assistance monies during fiscal year 2007 and having $6,348,000 in Poverty Based Assistance expenditures during the current fiscal year. Therefore, a reserve of $2,736,000 for Poverty Based Assistance is forecasted.

D. – Bus Purchases

At June 30, 2006, the School District had $46,000 in unspent bus monies. The School District anticipates the receipt of $18,000 in a bus purchase allowance during fiscal year 2007. The School District does not anticipate purchasing a new public school bus during the current fiscal year. Therefore, a reserve of $64,000 is forecasted for future bus purchases.

Note 10 - Levies

During fiscal year 2006, the School District was successful in passing an Operating levy on the February, 2006 ballot. 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 2007.

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 State Director of Budget and Management, the Mayor of City of Springfield, 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. 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.

The original recovery plan was adopted on June 5, 2005. State law requires the plan to be updated annually. The last update was approved on September 22, 2006, for the fiscal year ending June 20, 2007. The update recommended that the School District continue to develop and maintain a five-year forecast that establishes the parameters of expenditures versus revenues for the School District and that the Board of Education contains expenditures within the five year forecast.

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 2007 through 2011 was filed on October 28, 2006. 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 with no new revenue and maintains an unreserved general fund balance of approximately $5,000,000 each fiscal year through 2011.

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.

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 30, 2007

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