



Dave Yost • Auditor of State

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

Fiscal Emergency Termination

Local Government Services Section

**Springfield Local School District
Summit County**

Fiscal Emergency Termination

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CERTIFICATION

Pursuant to a request submitted to the Auditor of State by the Springfield Local School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Springfield Local School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Springfield Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Springfield Local School District Financial Planning and Supervision Commission and its role in the operation of the Springfield Local School District is terminated as of November 22, 2011.

Accordingly, this report is hereby submitted to the Springfield Local School District Board of Education, the Financial Planning and Supervision Commission, John Kasich, Governor, Timothy S. Keen, Director of the Office of Budget and Management, Kristen M. Scalise, CPA, CFE, Summit County Fiscal Officer, and Stan W. Heffner, State Superintendent of Public Instruction.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

November 22, 2011

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Springfield Local School District – Summit County

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

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

The Declaration of Fiscal Emergency

Effective October 18, 2006, the Department of Education declared the Springfield Local School District (the School District) to be in a state of Fiscal Caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2007 and 2008.

The Auditor of State declared the School District in fiscal watch on February 8, 2007. This declaration was based upon a determination by the Department of Education that the School District had not provided an acceptable written proposal for correcting the budgetary conditions that prompted the declaration of fiscal caution and for preventing the School District from experiencing further fiscal difficulties. Upon reviewing the School District's five-year forecast filed with the Department of Education on October 11, 2006, which included a deficits for the fiscal years ending June 30, 2007 and 2008, the Auditor of State found the Department of Education's request that the School District be placed in fiscal watch to be reasonable.

Section 3316.04, Revised Code, requires that the board of education of a district declared to be in fiscal watch prepare and submit a financial plan to the State Superintendent of Public Instruction that demonstrates the actions the board will take to eliminate the district's current operating deficit and avoid incurring future operating deficits. A school district that fails to submit an acceptable plan within 120 days of the declaration of fiscal watch is required to be declared in a state of fiscal emergency in accordance with Section 3316.03(B), Revised Code. The Springfield Local School District Board of Education passed a resolution on April 3, 2007, stating their inability to develop a fiscal watch recovery plan acceptable to the Superintendent of Public Instruction. Accordingly, the Auditor of State declared the School District to be in a state of Fiscal Emergency under Section 3316.03 (B) (2) of the Ohio Revised Code on May 16, 2007. A Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

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

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

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

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

Section 1 - Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Springfield Local School District and issued a Report on Accounting Methods, dated July 31, 2008. The report identified areas where the School District's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

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

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The School District should update its Policy Manual to include several items in the budgetary process. The first item is the legal level of control, the level at which the Board will adopt appropriations. Appropriations must be adopted at least at the fund level for all funds. The Board, if it chooses, may require more detail such as some level of function and object or the primary object level.

Implemented:

On April 20, 2010, the Board of Education approved resolution 10-058 to set the legal level of control for fiscal year 2010 and beyond to the fund level.

Auditor of State Comment from Report on Accounting Methods:

- The policy manual should address the five-year forecast requirements, the filing requirement with the Ohio Department of Education, and the circumstances under which the Board wants its forecast updated during the fiscal year. The policy manual should also define the process by which the Board will review the forecast prior to adoption by Board resolution.

Implemented:

The Board created a policy regarding the five-year forecast of the general fund and that the Board approves the forecast semi-annually before submitting it to the Ohio Department of Education. The policy states that the forecast should be submitted to the Superintendent of Public Instruction. The policy

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

also states that the forecast should include all revenues available for appropriation by the School District during each year and their sources; the nature and amount of expenses to be incurred during the year; the outstanding and unpaid expenditures on the date the measure, amendment, or supplement is adopted; the dates by which such expenses must be paid; and all other information the Superintendent requires.

Auditor of State Comment from Report on Accounting Methods:

- The initial allocation and subsequent re-allocations of Board approved appropriations is at the discretion of the Treasurer. There is no control or documentation over the allocations after the initial allocations are made. The policy manual should establish the nature of the control (general fund only or all funds, function and object or all dimensions of the account code structure) and the approval process. The Treasurer should determine the documentation that will demonstrate compliance with the Board policy and establish procedures for the request and approval of the subsequent allocations.

Implemented:

The School District now follows the procedure of having appropriation changes require Treasurer approval. Any changes to the appropriations are posted by the Treasurer to the accounting system.

Auditor of State Comment from Report on Accounting Methods:

- The policy manual should also require the Treasurer to report to the Board as part of the monthly report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken and how further occurrences will be avoided.

Implemented:

The Board approved a policy requiring the Treasurer to report any budgetary non-compliance to the Board of Education. Since adoption, no corrective actions have needed to be taken.

Auditor of State Comment from Report on Accounting Methods:

- By statute, appropriations are limited to the estimated resources in the existing amended official certificate of estimated resources. A supplemental appropriation resolution is adopted by the Board, which equals an anticipated increased amended certificate of estimated resources. If new or additional revenue is anticipated and the Board desires to spend it, an amended certificate should be certified by the budget commission before supplemental appropriations are passed.

Implemented:

The Board no longer adopts appropriations in funds that are not on the amended certificate of estimated resources. Appropriations are adopted only for funds on the amended certificate of estimated resources. All appropriation resolutions are compared to the amended certificate in place when the appropriations are passed to verify that all funds on the appropriation resolution are on the amended certificate and that those appropriations are limited to the estimated resources in the existing amended certificate of estimated resources.

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Financial Planning and Supervision Commission**

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer compares appropriations to estimated resources; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

Implemented:

The Treasurer uses a worksheet in order to track appropriations and estimated resources and any subsequent amendments made to either, which is presented to the Board when supplemental appropriations are requested.

Auditor of State Comment from Report on Accounting Methods:

- The appropriations in the accounting system do not agree with the most current supporting documents. The Treasurer should enter all appropriations in the system and compare budgeted amounts in the accounting system to the current appropriations measures as passed by the Board of Education to ensure that recorded amounts are accurate.

Implemented:

Appropriation amounts in the accounting system now match the amounts on the latest appropriation amendment passed by the Board of Education.

Auditor of State Comment from Report on Accounting Methods:

- The Board adopts permanent appropriations prior to meeting the statutory criteria for the adoption of permanent appropriations. Section 5705.38, Revised Code, indicates that annual appropriations should be adopted by October 1 provided an amended certificate of estimated resources or a certification that no amended certificate need be issued has been received from the County Fiscal Officer (Refer to Auditor of State Bulletin 98-012).

Implemented:

A certificate of estimated resources was in place prior to permanent appropriations being adopted by the Board, prior to October 1.

Auditor of State Comment from Report on Accounting Methods:

- Appropriations are posted in the system prior to receiving the certificate from the County Fiscal Officer indicating that appropriations are within estimated resources. Appropriations are not effective until this certificate is received. Appropriations should be posted in the system upon receipt from the County Fiscal Officer of the certificate indicating that appropriations are within estimated resources.

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Implemented:

The School District enters appropriations into the accounting system after Board approval. Appropriation measures are sent to the County, but there is usually a long lag time in receiving a certificate that indicates appropriations are within estimated resources. In order to monitor appropriations and pay bills timely, the School District cannot wait to post appropriations to the system until after the certificate is received from the County Budget Commission.

Auditor of State Comment from Report on Accounting Methods:

- At fiscal year end, the Treasurer submits the unencumbered cash balance of each fund to the County Fiscal Officer but does not certify the balances or include other information required by Section 5705.36, Revised Code. The School District should inquire with the County Fiscal Officer about the requirements and information that should be included and discuss with legal counsel what would meet the requirement to certify the balances.

Implemented:

The Treasurer is now submitting a “Certificate of the Total Amount from All Sources Available for Expenditures and Balances” to the County at fiscal year end.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- A policy should be implemented to ensure that discrepancies from ticket sales would be dealt with in an effective manner. All discrepancies should be dealt with and rectified as specified by this policy.

Implemented:

A policy has been adopted by the Board for ticket sales, which includes a policy that the activity supervisor will be held responsible should there be a discrepancy.

Auditor of State Comment from Report on Accounting Methods:

- Cafeteria receipts are posted in a monthly lump sum amount one month in arrears. Cafeteria receipts should be posted on a more timely basis.

Implemented:

Cafeteria receipts are now posted on a weekly basis.

Auditor of State Comment from Report on Accounting Methods:

- In some school buildings, the cafeteria manager is also the cashier. The position is responsible for collecting the money and completing the Daily Meals and Cash Reports. The School District should segregate the functions of this person or develop compensating controls to detect errors timely. In addition, the cashiers should reconcile collections to the register tapes and the reconciliations should be reviewed by the cafeteria manager.

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Implemented:

The School District does not have the resources to have a separate manager and cashier in all buildings. A coordinated review effort was completed within the School District at Young Elementary cafeteria by the Department of Education. According to the report, the cafeteria was compliant within Federal and State regulations regarding reporting and record keeping. All buildings, except for the middle and high schools, which have a separate manager and cashier, follow the same procedures as Young Elementary.

Auditor of State Comment from Report on Accounting Methods:

- The School District should update its policy for depositing monies. The current policy states that all monies are to be turned in to the Treasurer before the end of the day. The new policy should allow cash register monies to be turned in and deposited on a weekly basis or only when total monies exceed a specified dollar amount.

Implemented:

The Board has adopted a policy that stipulates that persons who receive monies at cash collection points in the School District are required to deposit all monies received with the Treasurer on the next business day after the day of receipt, if the total amount of monies exceeds \$1,000. If the monies received are under \$1,000, the person should deposit these monies with the Treasurer not more than one business day following the day of receipt.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District does not maintain a printed copy of the results of the search of the Auditor of State's Finding for Recovery website. In addition, the search is only done when new vendors are added to the vendor list. The School District should print a copy of the search as proof of the check for unresolved findings for recovery. The School District should also perform the search when a purchase is authorized that involves formal competitive contracting procedures.

Implemented:

The District is conducting the search and printing the search results and keeping them as documentation. The current procedure in place requires a new vendor to complete an IRS Form W-9, which is checked against the Auditor of State's Finding for Recovery website. A copy of the report is then kept on file. Upon discovery that any vendor in current use does not have the appropriate documentation, the same procedure is followed.

Auditor of State Comment from Report on Accounting Methods:

- The School District's Board Policies do not include a policy on the use of quotes from vendors. The School District should update the Board Policies for the use of quotes from vendors.

Implemented:

The Board of Education adopted a policy stipulating that quotes will be requested for any item or group of items in a single transaction costing between \$1,000 and \$15,000.

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Auditor of State Comment from Report on Accounting Methods:

- Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the board of education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the board of education and the Treasurer continues to issue blanket certificates under the old statutory restriction of 90 days or \$5,000. The board of education should set by resolution the maximum dollar amount for blanket certifications.

Implemented:

Through resolution 10-058, the Board of Education authorized the Treasurer to issue blanket purchase orders up to \$5,000.

Auditor of State Comment from Report on Accounting Methods:

- The Account Clerk obtains new vendor information but does not have potential vendors complete an IRS Form W-9. IRS Form W-9 or a suitable substitute for the form should be completed and signed by new vendors and kept on file in the Treasurer's office.

Implemented:

The Account Clerk is now having vendors complete an IRS Form W-9 and is keeping them on file in the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods:

- The Account Clerk has the ability and discretion to increase and decrease the appropriations allocated to the accounts within a fund when insufficient appropriations prevent a requisition from being processed. The Account Clerk notifies the Treasurer of the changes that were made to the appropriation accounts. The Account Clerk should not decide how appropriations are adjusted to accommodate the processing of requisitions and the issuance of purchase orders. This decision should be made by the Treasurer and posted by someone independent of the purchasing and accounts payable functions.

Implemented:

The Account Clerk no longer makes adjustments to appropriation accounts. Any adjustments to the appropriation accounts in the accounting system are made by the Treasurer.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received, for when an invoice exceeds the purchase order/fiscal officer certification of funds, and for the use of "Then and Now" certifications. The document should be kept on file in the Treasurers' office.

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Implemented:

The Board of Education approved a policy documenting the cash disbursement procedures for staff positions and their functions. The policy also addresses discrepancies for partial receipts and purchase order differences and the use of “Then and Now” certifications.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer does not review any checks after they are printed and electronically signed. The Treasurer should review the printed checks to ensure that the checks are complete and to ensure that the amounts have not been changed.

Implemented:

The Treasurer signs and dates each list of checks to be run upon his review and initials each check after it is printed.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods:

- Upon employment with the School District, classified employees receive a copy of the negotiated agreement between the School District and the bargaining unit the employee will be a member of. Section 3319.081, Ohio Revised Code, requires newly hired regular nonteaching school employees enter into written contracts for their employment, which shall be for a period of not more than one year. The Superintendent should review the negotiated agreements between the Board of Education and OAPSE/AFSCME-AFL-CIO Local #179 and Local #150 with legal counsel to determine the appropriate procedures to comply with Section 3319.081.

Implemented:

Classified employees work under the terms of the OAPSE/AFSCME-AFL-CIO Local #179 or Local #150 negotiated agreements. Per Section 3319.081, Ohio Revised Code, classified employees are hired for one year. Before the start of the next school year, classified employees receive a salary notice if they are to work another year.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The capital assets policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students). The policy should also be updated to include the new capitalization threshold.

Implemented:

The Board of Education has since adopted a capital asset policy meeting these requirements.

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

Auditor of State Comment from Report on Accounting Methods:

- The School District is not using the formal asset disposal form for the disposition of property which is discussed in the School District's Board Policy. The policy should be followed and dispositions should be documented.

Implemented:

The School District has started using disposal forms for assets, in accordance with the Board Policy, providing detail about the asset and how they are disposed of and are entered into the system as a deletion.

Auditor of State Comment from Report on Accounting Methods:

- The School District's consumable inventory procedures should be updated to include the items to be inventoried, method to be used, and the individuals responsible for verifying the count. The procedures should include a standard form for counting fiscal year inventory. The procedures should include the addition of a review process that the School District should begin to ensure that amounts purchased are reasonable.

Implemented:

The Board of Education has passed a policy regarding consumable inventory specifying how they are to be inventoried, used, and who is responsible for verifying their existence within the School District.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- Treasurer reviews all bank reconciliations to verify that book balances match bank balances. He should initial and date the monthly bank reconciliation to indicate when it was reviewed.

Implemented:

The Treasurer signs and dates the bank reconciliations upon review.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not have an agreement securing deposits that meets the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) requirements.

Implemented:

The School District does have depository agreements with all of its financial institutions and all the institutions have securities pledged to cover these investments. The Treasurer works with the banks to ensure that these requirements are being met.

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

Auditor of State Comment from Report on Accounting Methods:

- The School District has an investment policy, which is not signed and dated by the Board, Treasurer or entities conducting investment business with the Treasurer or the Board. The investment policy should be signed and dated by the Board, the Treasurer and entities conducting investment business with the Treasurer or the Board as prescribed in Section 135.14 (O)(1), Revised Code.

Implemented:

The School District has an investment policy in place, which is signed and dated by the Board, the Treasurer, and entities conducting investment business with the Treasurer or the Board.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods:

- The Board minutes are not always signed by the President of the Board when approved at each meeting. The minutes should be signed immediately following the meeting at which they are approved. Both the President of the Board of Education and the Treasurer should sign the minutes.

Implemented:

At each meeting, the Board now approves the minutes of the prior meeting. The minutes are signed by both the President of the Board of Education and the Treasurer by the time the next meeting is held.

Recent Audit Report and Compliance and Management Letters

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

The Auditor of State released an audit report on the School District's financial statements for the fiscal year ended June 30, 2010, on March 31, 2011. The report expressed an unqualified opinion of the financial statements.

As part of the audit report, the School District receives letters on legal compliance and related internal controls and a management letter. The management letter disclosed non-compliance issues with State laws and regulations relating to the audit for fiscal year 2010, which included recommendations for budgeting purposes.

The School District has corrected or is in the process of correcting the issues identified in the management letter; therefore, the Auditor of State has concluded that the issues identified in the management letter do not require that the School District's release from fiscal emergency be delayed.

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

Section 2 - Fiscal Emergency Conditions

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

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

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

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

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
4. The examination of the School District's five-year forecast includes a non-adverse opinion rendered by the Auditor of State.

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

Section 3 - Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District (dated July 27, 2010). The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. The School District will continue to develop and maintain a five-year financial forecast that establishes the parameters of expenditures versus revenues for the School District. The forecast will be updated as required to reflect the changes in assumptions and the most likely course of the School District.
2. The Board of Education will contain expenditures within the five-year financial forecast and the Financial Recovery Plan.
3. The School District will review and follow its purchasing procedures and ensure that each transaction is properly authorized, documented and recorded.

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

1. Monitored operating expenditures;
2. Monitored personnel levels;
3. The School District prepared monthly reports of receipts, expenditures, and encumbrances, which were monitored by staff from the Fiscal Assistance Section of the Ohio Department of Education; and
4. Monitored purchasing.

Section 4 - Five-Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2012 through 2016, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District's five-year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the five-year period ending June 30, 2016. The Auditor of State, in a report dated August 24, 2011, rendered a "nonadverse" opinion on the financial forecast.

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Section 5 - Conclusion

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

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

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

DISCLAIMER

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

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APPENDIX A

Springfield Local School District
Summit County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2012 through June 30, 2016

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Dave Yost • Auditor of State

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

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Springfield Local School District for the fiscal years ending June 30, 2012 through 2016. The Springfield Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2009, 2010, 2011 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

August 24, 2011

Springfield Local School District
Summit County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2009 Through 2011 Actual;
For the Fiscal Years Ending June 30, 2012 Through 2016 Forecasted
General Fund

	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Actual
Revenues			
General Property Taxes	\$10,357,000	\$10,389,000	\$10,598,000
Tangible Personal Property Taxes	911,000	103,000	18,000
Unrestricted Grants-in-Aid	8,329,000	8,294,000	8,011,000
Restricted Grants-in-Aid	805,000	36,000	61,000
Restricted Federal Grants-in-Aid	0	564,000	684,000
Property Tax Allocation	3,211,000	3,606,000	3,646,000
All Other Revenues	2,186,000	2,424,000	2,652,000
<i>Total Revenues</i>	<u>25,799,000</u>	<u>25,416,000</u>	<u>25,670,000</u>
Other Financing Sources			
Proceeds from Sale of Notes	4,000,000	0	0
Advances In	178,000	231,000	212,000
<i>Total Other Financing Sources</i>	<u>4,178,000</u>	<u>231,000</u>	<u>212,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>29,977,000</u>	<u>25,647,000</u>	<u>25,882,000</u>
Expenditures			
Personal Services	13,026,000	12,395,000	12,080,000
Employees' Retirement/Insurance Benefits	5,573,000	5,530,000	4,885,000
Purchased Services	5,443,000	5,412,000	5,046,000
Supplies and Materials	392,000	412,000	429,000
Capital Outlay	59,000	115,000	81,000
Debt Service:			
Principal-Notes	2,000,000	2,000,000	0
Principal-Solvency Assistance Advance	956,000	0	0
Principal-Energy Conservation Bond	67,000	71,000	75,000
Interest	41,000	81,000	23,000
Other Objects	767,000	629,000	629,000
<i>Total Expenditures</i>	<u>28,324,000</u>	<u>26,645,000</u>	<u>23,248,000</u>
Other Financing Uses			
Advances Out	231,000	212,000	206,000
<i>Total Expenditures and Other Financing Uses</i>	<u>28,555,000</u>	<u>26,857,000</u>	<u>23,454,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	1,422,000	(1,210,000)	2,428,000
Cash Balance July 1	973,000	2,395,000	1,185,000
Cash Balance June 30	<u>2,395,000</u>	<u>1,185,000</u>	<u>3,613,000</u>
Encumbrances and Reserves of Fund Balance:			
Actual/Estimated Encumbrances June 30	61,000	59,000	74,000
Reserves for:			
DPIA/Poverty Based Assistance	40,000	23,000	11,000
Note Proceeds	2,000,000	0	0
Total Encumbrances and Reserves of Fund Balance	<u>2,101,000</u>	<u>82,000</u>	<u>85,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$294,000</u>	<u>\$1,103,000</u>	<u>\$3,528,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See Independent Accountant's Report

Fiscal Year 2012 Forecasted	Fiscal Year 2013 Forecasted	Fiscal Year 2014 Forecasted	Fiscal Year 2015 Forecasted	Fiscal Year 2016 Forecasted
\$10,622,000	\$10,407,000	\$10,273,000	\$10,327,000	\$10,380,000
0	0	0	0	0
8,301,000	8,301,000	8,260,000	8,260,000	8,260,000
52,000	52,000	52,000	52,000	52,000
433,000	0	0	0	0
3,158,000	2,668,000	1,713,000	1,719,000	1,724,000
3,254,000	3,254,000	3,254,000	3,254,000	3,254,000
<u>25,820,000</u>	<u>24,682,000</u>	<u>23,552,000</u>	<u>23,612,000</u>	<u>23,670,000</u>
0	0	0	0	0
206,000	175,000	175,000	175,000	175,000
<u>206,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>
<u>26,026,000</u>	<u>24,857,000</u>	<u>23,727,000</u>	<u>23,787,000</u>	<u>23,845,000</u>
12,494,000	12,872,000	13,114,000	13,361,000	13,613,000
5,229,000	5,145,000	5,280,000	5,321,000	5,362,000
5,061,000	5,153,000	5,247,000	5,343,000	5,440,000
429,000	455,000	482,000	511,000	541,000
81,000	81,000	81,000	81,000	81,000
0	0	0	0	0
0	0	0	0	0
79,000	84,000	89,000	94,000	0
18,000	13,000	8,000	3,000	0
650,000	668,000	687,000	706,000	725,000
<u>24,041,000</u>	<u>24,471,000</u>	<u>24,988,000</u>	<u>25,420,000</u>	<u>25,762,000</u>
<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>
<u>24,216,000</u>	<u>24,646,000</u>	<u>25,163,000</u>	<u>25,595,000</u>	<u>25,937,000</u>
1,810,000	211,000	(1,436,000)	(1,808,000)	(2,092,000)
<u>3,613,000</u>	<u>5,423,000</u>	<u>5,634,000</u>	<u>4,198,000</u>	<u>2,390,000</u>
<u>5,423,000</u>	<u>5,634,000</u>	<u>4,198,000</u>	<u>2,390,000</u>	<u>298,000</u>
74,000	74,000	74,000	74,000	74,000
0	0	0	0	0
0	0	0	0	0
<u>74,000</u>	<u>74,000</u>	<u>74,000</u>	<u>74,000</u>	<u>74,000</u>
<u>\$5,349,000</u>	<u>\$5,560,000</u>	<u>\$4,124,000</u>	<u>\$2,316,000</u>	<u>\$224,000</u>

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Note 1 – The School District

The Springfield Local School District (the School District) is located in Summit and Portage Counties and encompasses all of Springfield Township and the Village of Lakemore. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates three elementary schools, one middle school and one high school. The School District is staffed by 87 classified and 168 certificated personnel to provide services to approximately 2,521 students and other community members.

On May 16, 2007, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(2) by the Auditor of State. The declaration was due to the School District’s declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Fiscal Officer of Summit County. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Springfield Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of August 24, 2011, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

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

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Note 4 - Summary of Significant Accounting Policies

Basis of Accounting

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

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 and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Permanent Funds - Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

Proprietary Funds

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

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

Fiduciary Funds

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

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

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

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding 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.

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

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

Note 5 - General Operating Assumptions

The Springfield Local School District will continue to operate its instructional program in accordance with its adopted and anticipated school calendars 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

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county fiscal officer and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Summit County Fiscal Officer as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for fiscal officer 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 2012 (the collection year) for real and public utility property taxes represents collections of 2011 taxes (the tax year). Property tax payments received during calendar year 2012 for tangible personal property (other than public utility property) are for delinquent 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".

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 the next fiscal year 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 years 2012 through 2016.

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2012 through June 30, 2016

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

Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$5.50
Continuing Operating	1976	n/a	n/a	24.00
Current Expense (1992)	2009	2010	2014	7.00
Emergency (\$1,600,000)	2009	2010	2014	3.86
Emergency (\$930,000)	2009	2010	2014	2.25
Emergency (\$1,500,000)	2010	2011	2015	3.52
Total Tax Rate				<u>\$46.13</u>

The School District also has levies for bonded debt and permanent improvements totaling \$7.30 per \$1,000 of assessed valuation. The School District's total tax rate is \$53.43 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$20.31 per \$1,000 of assessed valuation for collection year 2012, and the effective commercial and industrial real property tax rate is \$22.75 per \$1,000 of assessed valuation for collection year 2012.

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

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Summit County Fiscal Officer and the Portage County Auditor. The School District anticipates an increase of \$24,000 in fiscal year 2012 from the prior fiscal year due to a slight increase in assessed values in both Summit and Portage counties; however, this revenue is expected to decrease in fiscal years 2013 through 2014 due to anticipated decreases in property values within Summit County, offsetting new construction. Revenue is anticipated to increase in fiscal years 2015 and 2016 due to anticipated new construction.

Unrestricted and Restricted Grants-in-Aid

In fiscal year 2009, the State’s foundation program, established by Chapter 3317 of the Ohio Revised Code, included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee provided to address certain policy issues or to correct flaws in formula aid, were also included in this revenue. The semi-monthly payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills times the School District’s taxable property valuation. The per pupil foundation level was set by State Legislature. The per pupil amount was increased by four base supplements called “building blocks.” The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

The per pupil amounts for fiscal years 2008 and 2009 are as follows:

Fiscal Year	Per Pupil Foundation Level	Building Blocks	Total
2008	\$5,565	\$49	\$5,614
2009	5,732	51	5,783

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district’s wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2010 and 2011.

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

The State Department of Education, Division of School Finance calculated the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount were phased in over a five year period. In addition, school districts were guaranteed 98 percent of the prior fiscal year's State Foundation aid for the current fiscal year.

In fiscal years 2010 and 2011, approximately seven percent of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see D - Restricted Federal Grants-in-Aid) for the Springfield Local School District.

Beginning in fiscal year 2012, the administration of Governor John Kasich has proposed a move away from the Ohio Evidence Based Model to a new funding method. However, since a new funding mechanism is not formulated as of yet, the administration has decided to fund school districts in fiscal year 2012 based on a transitional approach until a new formula is devised. This transitional approach is referred to as the Bridge formula. The Bridge formula divides the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding is then multiplied by the fiscal year 2012 ADM. The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 21 mills of property taxes for fiscal year 2012. In addition to this adjustment, each school district's fiscal year 2012 funding is further adjusted so that the district receives at least the total funding it received in fiscal year 2011 after subtracting the state fiscal stabilization funds from total funding as well as to provide financial incentives for high performing districts. For fiscal year 2012, the Springfield Local School District estimates \$8,301,000 in adequacy funding. This level is forecasted for fiscal year 2013, as well. Fiscal years 2014 through 2016 are forecasted to decrease due to the uncertainty of the future availability of this State revenue.

Restricted Grants-in-Aid

In fiscal year 2009, restricted grants-in-aid consisted of career technologies, bus purchase, parity aid and poverty based aid monies. In fiscal years 2010 and 2011, the only restricted grants-in-aid was for career technologies. For fiscal years 2012 through 2016, the School District expects to receive \$52,000 in career technologies monies.

Restricted Federal Grants-in-Aid

In fiscal years 2010 and 2011, restricted federal grants-in-aid consisted of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education was distributed to school districts as part of the foundation settlement payments twice a month. These funds had limited restrictions on their use. Springfield Local School District received \$684,000 for fiscal year 2011, which was used for teacher salaries. SFSF has not been reauthorized by the Federal government.

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

In 2010, Congress passed and the President has signed legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds have limited restrictions on their use. The Springfield Local School District, based on estimates provided by the Department of Education is forecast to receive \$433,000 in fiscal year 2012. The School District has chosen to use these funds in fiscal year 2012 for salaries and benefits for teachers.

Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption increased State allocation revenue and decreased property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback revenue is forecast to decrease in fiscal years 2012 through 2016 due to the anticipated decrease in assessed valuation caused by the struggling economy.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District was fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the School District anticipates receiving a steady reimbursement for the tangible personal property tax losses until 2014 when the amount begins to decline, due to the phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Homestead and Rollback	\$1,438,000	\$1,408,000	\$1,387,000	\$1,393,000	\$1,398,000
Tangible Personal Property Loss Reimbursements	1,720,000	1,260,000	326,000	326,000	326,000
Totals	<u>\$3,158,000</u>	<u>\$2,668,000</u>	<u>\$1,713,000</u>	<u>\$1,719,000</u>	<u>\$1,724,000</u>

Springfield Local School District

Summit County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

All Other Revenues

All other revenues include tuition, interest, rental income, student class fees, reimbursements and other revenue.

Open enrollment tuition revenue is expected to increase in fiscal year 2012, and then remain consistent for the forecasted period due to more outside students enrolling in the School District in fiscal year 2012. Other tuition includes preschool, regular day school for court order students, summer school and special education. The increase is due to a larger number of special education and court order students.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. Interest revenue is expected to stay in line with the prior fiscal years despite the School District projecting larger cash balances. This is due to the School District's bank eliminating interest income on sweep accounts; in exchange the bank will reduce its banking fees.

Rental income is expected to remain consistent throughout the forecasted period with the rental of space at Boyer Kindergarten Center to the Summit County Educational Service Center and the rental of space at the Lakemore building to the SUPER Learning Center.

Student class fees are expected to remain steady with the prior fiscal year at \$16,000 for the duration of the forecasted period.

The School District received \$163,000 in reimbursements from the Medicaid Schools Program (MSP) during fiscal year 2011 and expects to receive the same amount throughout the forecasted period.

All other revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Open Enrollment Tuition	\$1,929,000	\$1,929,000	\$1,929,000	\$1,929,000	\$1,929,000
Other Tuition	387,000	387,000	387,000	387,000	387,000
Extracurricular Transportation	24,000	24,000	24,000	24,000	24,000
Interest	4,000	4,000	4,000	4,000	4,000
Rentals	72,000	72,000	72,000	72,000	72,000
Student Class Fees	16,000	16,000	16,000	16,000	16,000
MSP Reimbursements	163,000	163,000	163,000	163,000	163,000
E-Rate	35,000	35,000	35,000	35,000	35,000
Other	624,000	624,000	624,000	624,000	624,000
Totals	<u>\$3,254,000</u>	<u>\$3,254,000</u>	<u>\$3,254,000</u>	<u>\$3,254,000</u>	<u>\$3,254,000</u>

Springfield Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Other Financing Sources

Advances In – During fiscal year 2011, advances were made for a total of \$206,000 to other funds. For fiscal year 2012, those advances are expected to be repaid. For fiscal years 2013 through 2016, it is forecasted that advances in will be lower and remain steady at \$175,000.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

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

Staffing levels for the last three fiscal years and the current fiscal year are displayed in the chart below. The amounts represent full time equivalents. Staffing levels are anticipated to remain consistent with fiscal year 2012 for the forecasted period.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<i>General Fund:</i>				
Certified	161	146	139	144
Classified	70	72	73	85
Total General Fund:	<u>231</u>	<u>218</u>	<u>212</u>	<u>229</u>
<i>Other Funds:</i>				
Certified	18	29	26	24
Classified	19	13	13	2
Total Other Funds:	<u>37</u>	<u>42</u>	<u>39</u>	<u>26</u>
Totals	<u>268</u>	<u>260</u>	<u>251</u>	<u>255</u>

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives for existing staff. The contract covers the period August 21, 2010 through August 20, 2012, and allows for an increase in the base salary of 0.5 percent the first year and 0.75 percent in the second year. The contract also allows for step increases ranging from 2.8 to 6.1 percent. Certified salaries are forecasted to increase due to the hiring of two new kindergarten teachers and a tutor in addition to applying base and step increases to all certified staff.

Classified salaries are based on two negotiated contracts which includes base and step increases. The contracts covers fiscal years 2011 and 2012. The contracts allow for a 2 percent increase in the base salary for both fiscal years and step increases ranging from 0 to 3 percent for both years of the contracts. Classified salaries are forecasted to increase due to these percentage increases.

In fiscal years 2012 through 2015, substitute salaries are expected to increase slightly for certified and classified staffing consistent with regular salaries. Tutor wages are projected to increase in fiscal year 2012. Tutors are included in the substitute category. Supplementals are anticipated to remain consistent with the prior fiscal year.

Springfield Local School District

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2012 through June 30, 2016

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees is equal to thirty percent of their unused sick leave but not to exceed a total of 54 days paid. Severance pay paid to classified employees leaving with ten or more years of service and not retiring is equal to one fourth of their unused sick leave but not to exceed 45 days paid. Payments to classified employees retiring from the School District are equal to one fourth of their unused sick leave not to exceed 55 days paid. Fiscal year 2012 has fewer anticipated retirements than in the past, but fiscal years 2013 through 2016 are forecasted based on historical information.

Presented below is a comparison of salaries and wages for fiscal years 2012 through 2016.

	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Certified Salaries	\$9,271,000	\$9,457,000	\$9,646,000	\$9,838,000	\$10,035,000
Classified Salaries	2,348,000	2,395,000	2,443,000	2,492,000	2,542,000
Substitute Salaries	527,000	532,000	537,000	543,000	548,000
Supplemental Salaries	279,000	279,000	279,000	279,000	279,000
Severance Pay	39,000	179,000	179,000	179,000	179,000
Other Salaries and Wages	30,000	30,000	30,000	30,000	30,000
Totals	<u>\$12,494,000</u>	<u>\$12,872,000</u>	<u>\$13,114,000</u>	<u>\$13,361,000</u>	<u>\$13,613,000</u>

Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earnings less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. Fiscal year 2013 is anticipated to be lower because fiscal year 2012 salaries were estimated too high. The increase that appears on the schedule below for fiscal years 2014 through 2016 are due to the increase in salaries. In addition, the School District pays the employee retirement contributions for its superintendent and treasurer.

In years past, SERS has been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Springfield Local School District has chosen option two and has a total arrearage liability of \$254,904, with annual payments of \$42,484.

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Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2012 through June 30, 2016

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

Coverage:	Effective April 1, 2009	Effective April 1, 2010	Effective April 1, 2011
Family	\$1,446.09	\$1,394.28	\$1,462.32
Single	540.88	521.36	541.04

The self-insured healthcare program includes medical/surgical, vision and dental care. Rates are based on recommended amounts from the School District's third party administrator. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. There are more employees in fiscal year 2012 and the health insurance rates are higher than the majority of fiscal year 2011. Due to these factors, health insurance costs are expected to increase in fiscal year 2012 and are projected to stay steady over the forecasted period.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in August. The School District chooses to make two payments. The premium for calendar year 2011, due in May 2012, is anticipated to be lower than fiscal year 2011. The workers compensation premium for fiscal year 2012 is lower than fiscal year 2011 due to a lower workers' compensation rate; however, overall workers' compensation expenditures are expected to increase in fiscal years 2013 through 2016 due to increases in salaries for those forecasted fiscal years.

Medicare is based on a percentage of wages and is estimated to increase in fiscal years 2012 through 2016, based on an increase in salaries for the forecasted period.

Presented below is a comparison of benefits fiscal years 2012 through 2016.

	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Employer's Retirement	\$1,859,000	\$1,766,000	\$1,894,000	\$1,929,000	\$1,964,000
Health Care/Life Insurance	3,055,000	3,055,000	3,055,000	3,055,000	3,055,000
Workers' Compensation	148,000	152,000	155,000	158,000	161,000
Medicare	167,000	172,000	176,000	179,000	182,000
Total	\$5,229,000	\$5,145,000	\$5,280,000	\$5,321,000	\$5,362,000

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Purchased Services

Presented below is a comparison of purchased services for fiscal years 2012 through 2016.

	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Professional and Technical Services	\$373,000	\$380,000	\$387,000	\$394,000	\$401,000
Property Services	231,000	235,000	239,000	244,000	248,000
Travel and Meeting Expenses	43,000	44,000	45,000	45,000	46,000
Communication Costs	52,000	53,000	54,000	55,000	56,000
Utility Services	610,000	621,000	632,000	644,000	656,000
Tuition Payments	3,257,000	3,316,000	3,377,000	3,438,000	3,501,000
Pupil Transportation	47,000	48,000	49,000	50,000	51,000
Pupil Transportation - Bus Contract	444,000	452,000	460,000	469,000	477,000
Other Purchased Services	4,000	4,000	4,000	4,000	4,000
Total	<u>\$5,061,000</u>	<u>\$5,153,000</u>	<u>\$5,247,000</u>	<u>\$5,343,000</u>	<u>\$5,440,000</u>

Professional and technical services are expected to decrease in fiscal year 2012 from fiscal year 2011 due to the School District requiring fewer legal services; however, these services are expected to increase slightly in each of the following forecasted years. Property services are forecasted to increase due to new lease contracts. Utility services are expected to increase in each of the forecasted fiscal years due to expected increases in natural gas rates. Tuition payments are expected to increase due to higher costs associated with each student enrolling outside of the School District.

The School District contracts out its bussing service needs. During the forecast period, the School District expects to see increases associated with these services due to the probability the contractor will increase its rates.

Supplies and Materials

Presented below is a comparison of supplies and materials for fiscal years 2012 through 2016.

	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
General Supplies, Library Books and Periodicals	\$148,000	\$157,000	\$166,000	\$176,000	\$187,000
Operations, Maintenance and Repair	262,000	278,000	295,000	312,000	330,000
Textbooks	19,000	20,000	21,000	23,000	24,000
Total	<u>\$429,000</u>	<u>\$455,000</u>	<u>\$482,000</u>	<u>\$511,000</u>	<u>\$541,000</u>

Supplies and materials are forecasted to increase slightly over the forecasted period.

Springfield Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal years 2012 through 2016, the School District is forecasting approximately \$81,000 in equipment expenditures, which is mainly related to computer and other technological equipment. The School District has a permanent improvement fund that is expected to generate approximately \$350,000 for the forecasted period. The School District uses this fund to make most capital expenditures, which are limited to necessary repair and maintenance costs related to maintaining all buildings in current use within the School District.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$650,000, for fiscal year 2012, which is higher than the prior fiscal year primarily due to projected higher county board expenditures related to curriculum and instruction, instructional technology services, and student services. Fiscal officer and treasurer fees and election expenses are also forecasted to be higher. Expenditures for the subsequent forecasted period are expected to increase each fiscal year.

Advances Out

For fiscal year 2012, \$175,000 in advances are anticipated to be made to the food service fund, the uniform school supply fund, and various grant funds to cover deficits at fiscal year-end. Advances out to the food service fund, uniform school supply fund, and the grant funds are expected to be \$66,000, \$1,000, and \$108,000, respectively. These advances are repaid in the following fiscal year when revenue is received.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal years ended 2012 through 2016 are expected to be \$74,000.

Note 9 - Reservations of Fund Balance

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

Springfield Local School District

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Summary of Significant Assumptions and Accounting Policies
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Textbooks and Instructional Materials Set-Aside

In prior fiscal years, the School District was required to set aside a portion of current year revenue for textbooks and other instructional materials. Effective July 1, 2011, the textbook set aside no longer exists and has been deleted from law; therefore, there is no reserve included in the forecast period.

Capital Acquisition and Improvements Set-Aside

The set-aside amount is approximately \$327,000 each fiscal year. Annual offsets are anticipated from a permanent improvement and classroom facilities maintenance levies and general obligation bond proceeds. These offsets exceed the required set-aside amount in each fiscal year; therefore, no reserve amount is anticipated for the forecast period.

Note 10 - 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 11 - Employee Benefits Self-Insurance Fund

The School District provides medical/surgical, vision and dental benefits through a self-insurance program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays a monthly premium for each employee into the internal service fund. The premium is paid by the fund that pays the salary for the employee and differs for single and family benefits. Monthly premiums are recommended by the third party administrator and approved by the Board of Education. The fund purchases annual stop loss coverage for claims in excess of \$75,000 per person, per year. The School District anticipates the costs of claims to decrease throughout the forecasted period. The School District anticipates the premiums during fiscal year 2012 will be sufficient to cover the claims and administrative costs.

Springfield Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

Note 12 - Levies

Since 2001, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 2, 2004	Current Expense (Renewal)	7.00 mills	5 Years	Passed
November 2, 2004	Emergency (Renewal)	1,600,000	5 Years	Passed
November 2, 2004	Emergency (Renewal)	930,000	5 Years	Passed
November 8, 2005	Permanent Improvement	1.80 mills	5 Years	Passed
November 8, 2005	Emergency (Renewal)	1,500,000	5 Years	Passed
May 2, 2006	Emergency	4,000,000	5 Years	Failed
August 8, 2006	Emergency	3,865,000	5 Years	Failed
November 7, 2006	Emergency	3,697,000	5 Years	Failed
May 8, 2007	Emergency	3,578,000	5 Years	Failed
August 7, 2007	Emergency	3,578,000	5 Years	Failed
November 3, 2009	Current Expense (Renewal)	7.00 mills	5 Years	Passed
November 3, 2009	Emergency (Renewal)	1,600,000	5 Years	Passed
November 3, 2009	Emergency (Renewal)	930,000	5 Years	Passed
May 4, 2010	Bond Issuance	33,725,000	38 Years	Passed
May 4, 2010	Current Expense	.5 mills	23 Years	Passed
November 2, 2010	Permanent Improvement	1.80 mills	5 Years	Passed
November 2, 2010	Emergency (Renewal)	3.52 mills	5 Years	Passed

Note 13 - Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes.

The School District entered into a project agreement with the Ohio School Facilities Commission to build a new high school. The Classroom Facilities Capital Projects fund accounts for the grant monies as well as the bond proceeds that were issued by the School District to pay for their proportionate share of the project. The fund is forecasted to decrease each year of the forecast period as the School District continues to renovate the buildings.

The School District uses the food service fund to account for the charges for services and operating grants restricted to the food service operations of the School District. This fund is forecasted to generate adequate revenue to maintain operations during the forecast period.

All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecasted period. There are certain funds that annually rely upon advances from the general fund to meet their obligations. These advances are addressed in Note 7.

Springfield Local School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2012 through June 30, 2016

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Dave Yost • Auditor of State

SPRINGFIELD LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 22, 2011