



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Springfield Local School District
Summit County

Fiscal Emergency Termination

Local Government Services Division

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

FISCAL EMERGENCY TERMINATION

Table of Contents

	PAGE
Certification	1
Report on Termination of the Springfield Local School District Financial Planning and Supervision Commission	
The Declaration of Fiscal Emergency	2
The Financial Accounting and Reporting Systems	3
The Fiscal Emergency Conditions	5
The Financial Recovery Plan	6
The Five Year Forecast	7
Conclusion	8
Disclaimer	8
Appendix A	
Springfield Local School District Financial Forecast For the Fiscal Years Ending June 30, 2001 through June 30, 2005	

This Page left Blank, Intentionally



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

CERTIFICATION

Pursuant to a request to the Auditor of State by the Springfield Local School District Financial Planning and Supervision Commission, the Auditor of State has determined that the Springfield Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, and the Springfield Local School District has met the requirements of Section 3316.16, Revised Code, for termination of the Springfield Local School District Financial Planning and Supervision Commission. 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 July 10, 2001.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to the Springfield Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, Frank Williams, Summit County Auditor, and Susan Tave Zelman, State Superintendent of Public Instruction.

JIM PETRO
Auditor of State

July 10, 2001

**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 (the Commission) of the Springfield Local School District (the School District), Summit County, the Auditor of State has performed an analysis to determine whether this Commission and its functions should be terminated.

The Declaration of Fiscal Emergency

The Auditor of State conducted an analysis of the Springfield Local School District, dated January 24, 2000, to determine whether the School District met the conditions for fiscal watch. The results of the analysis were as follows:

1. The Auditor of State certified an operating deficit for the general fund in the amount of \$1,800,000, which exceeded eight percent of the general fund revenues of the prior fiscal year;
2. The Springfield Local School District's unencumbered cash balance for the preceding fiscal year was \$280,000, which was less than eight percent of the preceding fiscal year expenditures; and,
3. The School District had not passed a levy that would eliminate the first two conditions.

Section 3316.02(B)(2) of the Ohio Revised Code requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Section 3316.04 of the Ohio Revised Code, to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch.

On February 11, 2000, the Auditor of State declared the Springfield Local City School District in Fiscal Emergency based on the Board of Education's resolution, dated January 25, 2000, which declared that the Springfield Local Board of Education would not be able to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch made pursuant to Section 3316.03 of the Ohio Revised Code.

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

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

The results of the analysis performed by the Auditor of State in determining if the Commission will continue to exist is as follows:

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

The Financial Accounting and Reporting Systems

We reviewed the May 11, 2000, Financial Accounting Report, the fiscal year 2000 audit report and management letter prepared by the Rea & Associates, Inc. We also observed and interviewed various School District personnel regarding current practices and procedures. A summary of the School District's progress in correcting the issues addressed in the Financial Accounting Report is as follows:

Budgetary Process

- In order to comply with Section 5705.36 of the Ohio Revised Code, the School District is currently requesting a final Amended Official Certificate of Estimated Resources from the Summit County Auditor prior to fiscal year end and uses those amounts to make their final appropriations.
- The appropriations for the expenditures are passed prior to making the expenditures and final revisions to the appropriations are passed prior to fiscal year end.

Revenue Activity

- Each building of the Springfield Local School District has received written procedures for the collection of monies.
- In order to properly account for revenues and expenditures, the School District is posting tax settlements gross. All County Auditor fees and deductions are recorded as expenditures.
- The School District has obtained an insurance policy in the amount of \$50,000 covering employees handling cash or in a position of fiscal authority in order to prevent the School District from sustaining losses.

Purchasing Process

- The Treasurer has implemented a policy that prohibits the authorization and encumbrance of purchase orders if the appropriations are not sufficient to cover the amount of the purchase order.

Cash Disbursements and Payroll Process

- Supplies of all blank checks are kept in a locked storage cabinet in the Treasurer's office. The checks are only out of the storage cabinet when checks are actually being printed. Access to the locked storage cabinet is limited to the Treasurer and the appropriate Treasurer's staff.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

Fixed Assets and Supplies Inventories

- The School District has designed individual acquisition, disposal and transfer forms.

In process of implementation

- The Treasurer is in the process of updating the Board of Education's Fixed Asset Policy to address the following:
 - An annual physical inventory for each building;
 - Valuation of donated assets, assigning salvage values, and a definition of private property (items belonging to staff and students); and,
 - An annual physical inventory of consumable supplies.

Not implemented

- The School District has not had a physical inventory of fixed assets since 1995. The School District plans on having a valuation company to compile a more recent inventory and appraisal of fixed assets for the new reporting model (GASB-34).

Cash Management and Investing

- The investment amounts on the School District's bank reconciliation are in agreement with the investments listed in the Department of Education's annual financial report for the fiscal year ended June 30, 2000.
- The Board of Education has revised its petty cash policy to include the amount of each petty cash account for each department and the specific uses of the money.

Financial Reporting

- The Treasurer provides the Board of Education members with a monthly bank reconciliation that agrees with the fund cash balances.

In a resolution adopted June 26, 2001, the Springfield Local School District Board of Education directed the Treasurer to implement all of the "in process" and "not implemented" items noted above.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

The 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 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 such plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the district is not materially complying with the provisions of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined the declaration of a state of fiscal emergency 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.

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

1. The School District no longer has an operating deficit in the general fund.
2. Once declared in fiscal emergency, the School District was not required to submit a plan to the State Superintendent of Public Instruction due to a declaration of fiscal watch.
3. 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.
4. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
5. The School District no longer has an operating deficit in the general fund.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

The Financial Recovery Plan

We obtained a copy of the latest financial recovery plan of the School District, dated July 10, 2000, and interviewed the Treasurer of the School District and received information from the Chairperson of the Financial Planning and Supervision Commission. The key provisions of the financial plan are as follows:

1. Passage of an emergency operating levy in March 2000.
2. Upcoming Levy Renewals.
3. Personnel reductions.
4. Reduction of non-personnel operating expenditures.
5. Efficient operation of busing.
6. Proper accounting procedures.
7. Preparation and submission of SM-1/SM-2 reports.
8. Preparation and presentation of monthly monitoring report.
9. Appropriation of funds to the fund, function, object level.

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

1. Passage of a new, 4.53 mill, five-year emergency operating levy in March 2000 to generate an additional \$1,600,000 annually.
2. Renewal of all the existing five year operating levies and the permanent improvement levy in August and November 2000 as shown below:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>
August 2000	Renewal Levy	2.60 Mills	5 Years
August 2000	Renewal Levy	7.00 Mills	5 Years
November 2000	Renewal Levy	4.18 Mills	5 Years
November 2000	Permanent Improvement Renewal	1.8 Mills	5 Years

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

3. Personnel reductions.
- | | |
|--|-------------------------|
| Non-renewal of monitor / cafeteria aides | \$112,000 |
| Retirement of custodian and other non-certified staff reductions | 25,000 |
| Reduction of certified staff with retirements | 250,000 |
| Eliminate five certified staff positions | 200,000 |
| Reduction of Title I staff | 100,000 |
| Eliminate Assistant High School Principal position | 80,000 |
| Eliminate one guidance counselor position | 50,000 |
| Non-certified staff positions | 80,000 |
| Reduction/replacement savings on building administrator | <u>66,000</u> |
| Total | <u><u>\$963,000</u></u> |
4. Reduction of non-personnel operating expenditures.
- | | |
|----------------------------|-------------------------|
| Reductions in maintenance | \$55,000 |
| Elimination of field trips | 26,000 |
| Closing of swimming pool | <u>100,000</u> |
| Total | <u><u>\$181,000</u></u> |
5. The contract for busing has been modified to reduce the guaranteed annual rate increases.
6. The School District has corrected or is in the process of correcting the accounting procedures identified in the financial accounting report.
7. The School District Treasurer prepares and submits the SM-1 report annually and the SM-2 report monthly to the State Department of Education, the Commission members and members of the Board of Education.
8. General fund appropriations are at the fund, function, and object level and the fund level for all other funds.
9. Institution of pay-to-play for sports during fiscal year 2000, a revenue enhancement of \$25,000.
10. Monitoring reports are prepared monthly by State Department of Education staff for the members of the Commission.

The Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2001 through 2005, 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.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

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

The School District's five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the forecast period except fiscal year ending June 30, 2005. The deficit of \$192,000 in fiscal year ending June 30, 2005 could be offset by the use of the budget reserve. The Auditor of State, in a report dated May 25, 2001, rendered a "nonadverse" opinion on the financial forecast.

Conclusion

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

1. The School District has adopted and implemented, or is in the process of implementing, policies for a sound accounting and reporting system; however, the Auditor of State will monitor the progress to insure full implementation within a two year period;
2. The School District has corrected or eliminated all the fiscal emergency conditions and it appears that, based on the five year financial forecast, the School District will remain out of fiscal emergency;
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.

It is understood that this report's determination is for the use of the Springfield Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, Frank Williams, Summit County Auditor, and Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

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.

APPENDIX A

**Springfield Local School District
Summit County**

Financial Forecast

For the Fiscal Years Ending June 30, 2001 Through 2005

This Page Left Blank, Intentionally

**Springfield Local School District
Summit County**

Table of Contents

	Page
Accountant's Report	A-3
Schedule of Revenues, Expenditures and Changes in Fund Balance for Fiscal Years Ended June 30, 1998, 1999, and 2000 Actual; Fiscal Years Ending June 30, 2001 through 2005 Forecasted	A-4
Summary of Significant Accounting Policies and Forecast Assumptions	A-6

This Page Left Blank, Intentionally



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Springfield Local School District
3960 Sanitarium Road
Akron, Ohio 44312

We have examined the accompanying forecasted Schedule 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, 2001 through 2005. Our examination was made in accordance with 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 the Springfield Local Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared by management to provide the Financial Planning and Supervision Commission of the Springfield Local School District and the Auditor of State with information to determine whether, under Section 3316.16 of the Ohio Revised Code, the Financial Planning and Supervision Commission will continue to exist and should not be used for any other purpose.

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

The historical financial statements for the fiscal years ended June 30, 1998, 1999, and 2000, (from which the historical data are derived) were audited by the School District's independent public accountants and they expressed an unqualified opinion on those statements in their reports dated October 20, 1998, November 11, 1999 and October 31, 2000, respectively.

As disclosed in Note 6, the forecasted expenditures for personal services are based on the continuation of the bargaining unit contracts for the certified and classified employees which expired in 1999 and 1996, respectively. The forecasted personal service expenditures may differ as a result of the on-going negotiations and a settlement with the bargaining units and those differences may be material.

JIM PETRO
Auditor of State

May 25, 2001

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000 ACTUAL;
FISCAL YEARS ENDING JUNE 30, 2001, 2002, 2003, 2004 AND 2005 FORECASTED
GENERAL FUND**

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
Revenues				
General Property Tax	\$7,123,000	\$7,053,000	\$7,364,000	\$8,240,000
Tangible Personal Property Tax	3,048,000	3,199,000	3,084,000	2,761,000
Unrestricted Grants-in-Aid	6,976,000	7,836,000	7,286,000	7,358,000
Restricted Grants-in-Aid	282,000	249,000	188,000	135,000
Property Tax Allocation	937,000	915,000	972,000	1,099,000
All Other Revenues	1,130,000	1,015,000	605,000	771,000
<i>Total Revenues</i>	<u>19,496,000</u>	<u>20,267,000</u>	<u>19,499,000</u>	<u>20,364,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	2,843,000	1,206,000	0	0
Solvency Assistance Advance	0	0	1,800,000	0
Operating Transfers In	0	166,000	0	0
Advances In	40,000	16,000	102,000	160,000
<i>Total Other Financing Sources</i>	<u>2,883,000</u>	<u>1,388,000</u>	<u>1,902,000</u>	<u>160,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>22,379,000</u>	<u>21,655,000</u>	<u>21,401,000</u>	<u>20,524,000</u>
Expenditures				
Personal Services	11,374,000	12,018,000	11,470,000	11,250,000
Employees' Retirement/Insurance Benefit	3,880,000	4,402,000	4,660,000	4,218,000
Purchased Services	2,830,000	2,655,000	2,436,000	2,978,000
Supplies and Materials	617,000	497,000	505,000	531,000
Capital Outlay	123,000	39,000	23,000	16,000
Debt Service:				
Principal-Notes	2,878,000	1,378,000	1,206,000	0
Principal-Solvency Assistance Advance	0	0	0	900,000
Principal-HB 264 Loans	116,000	116,000	116,000	140,000
Interest and Fiscal Charges	131,000	74,000	107,000	89,000
Other Objects	287,000	391,000	469,000	449,000
<i>Total Expenditures</i>	<u>22,236,000</u>	<u>21,570,000</u>	<u>20,992,000</u>	<u>20,571,000</u>
Other Financing Uses				
Operating Transfers Out	49,000	178,000	29,000	0
Advances Out	16,000	102,000	160,000	30,000
<i>Total Other Financing Uses</i>	<u>65,000</u>	<u>280,000</u>	<u>189,000</u>	<u>30,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>22,301,000</u>	<u>21,850,000</u>	<u>21,181,000</u>	<u>20,601,000</u>
<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	78,000	(195,000)	220,000	(77,000)
<i>Cash Balance July 1</i>	<u>821,000</u>	<u>899,000</u>	<u>704,000</u>	<u>924,000</u>
<i>Cash Balance June 30</i>	899,000	704,000	924,000	847,000
<i>Less Encumbrances and Reserves: Estimated Encumbrances June 30</i>	82,000	166,000	289,000	315,000
Reservation of Fund Balance				
Textbooks and Instructional Materials	45,000	3,000	27,000	64,000
Capital Improvements	0	0	0	82,000
Budget Reserve	108,000	255,000	255,000	255,000
DPIA	45,000	1,000	68,000	81,000
<i>Subtotal</i>	<u>198,000</u>	<u>259,000</u>	<u>350,000</u>	<u>482,000</u>
<i>Unreserved Fund Balance June 30</i>	<u>\$619,000</u>	<u>\$279,000</u>	<u>\$285,000</u>	<u>\$50,000</u>

See accompanying summary of significant forecast assumptions and accounting policies.

Note: Schedule includes general fund, DPIA fund, textbook subsidy fund and any portion of the debt service fund related to general fund debt.

Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted
\$8,932,000	\$9,092,000	\$9,254,000	\$9,419,000
2,923,000	2,902,000	2,880,000	2,859,000
7,311,000	7,311,000	7,311,000	7,311,000
181,000	181,000	181,000	181,000
1,191,000	1,212,000	1,233,000	1,256,000
790,000	810,000	830,000	851,000
<u>21,328,000</u>	<u>21,508,000</u>	<u>21,689,000</u>	<u>21,877,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
30,000	30,000	30,000	30,000
<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
21,358,000	21,538,000	21,719,000	21,907,000
11,693,000	12,346,000	13,035,000	13,775,000
4,031,000	3,573,000	3,897,000	4,257,000
3,256,000	3,318,000	3,434,000	3,555,000
733,000	763,000	786,000	809,000
46,000	57,000	69,000	81,000
0	0	0	0
900,000	0	0	0
160,000	47,000	50,000	53,000
61,000	52,000	50,000	47,000
463,000	477,000	491,000	506,000
<u>21,343,000</u>	<u>20,633,000</u>	<u>21,812,000</u>	<u>23,083,000</u>
0	0	0	0
30,000	30,000	30,000	30,000
<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
21,373,000	20,663,000	21,842,000	23,113,000
(15,000)	875,000	(123,000)	(1,206,000)
<u>847,000</u>	<u>832,000</u>	<u>1,707,000</u>	<u>1,584,000</u>
832,000	1,707,000	1,584,000	378,000
315,000	315,000	315,000	315,000
0	0	0	0
66,000	38,000	16,000	0
255,000	255,000	255,000	255,000
81,000	55,000	2,000	0
<u>402,000</u>	<u>348,000</u>	<u>273,000</u>	<u>255,000</u>
<u>\$115,000</u>	<u>\$1,044,000</u>	<u>\$996,000</u>	<u>(\$192,000)</u>

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Note 1 - Nature and Limitations 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 May 25, 2001, 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.

The forecast was prepared by management to provide the Financial Planning and Supervision Commission of the Springfield Local School District and the Auditor of State with information to determine whether, under Section 3316.16 of the Ohio Revised Code, the Springfield Local School District Financial Planning and Supervision Commission will continue to exist and should not be used for any other purpose.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA), textbook subsidy funds and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1998, 1999 and 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
	<u> </u>	<u> </u>	<u> </u>
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$19,139,000	\$19,930,000	\$19,882,000
DPIA	112,000	116,000	119,000
Textbook Subsidy	45,000	45,000	0
Debt Service Activity Related to			
General Fund Supported Debt	3,122,000	1,564,000	1,400,000
Less Funds Included for External Reporting			
Purposes	(39,000)	0	0
Total Revenues and Other Sources per Forecast	<u>22,379,000</u>	<u>21,655,000</u>	<u>21,401,000</u>

Continued

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	\$19,194,000	\$20,204,000	\$20,019,000
DPIA	67,000	161,000	51,000
Textbook Subsidy	0	87,000	0
Debt Service Activity Related to General Fund Supported Debt	3,122,000	1,564,000	1,400,000
Less Encumbrances	(82,000)	(166,000)	(289,000)
Total Expenditures and Other Uses per Forecast	<u>22,301,000</u>	<u>21,850,000</u>	<u>21,181,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	78,000	(195,000)	220,000
Cash Fund Balance at Beginning of Fiscal Year	<u>821,000</u>	<u>899,000</u>	<u>704,000</u>
Cash Fund Balance at End of Fiscal Year	899,000	704,000	924,000
Encumbrances at Fiscal Year End	(82,000)	(166,000)	(289,000)
Unencumbered Fund Balance at Fiscal Year End	<u><u>\$817,000</u></u>	<u><u>\$538,000</u></u>	<u><u>\$635,000</u></u>

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements 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 measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - The internal service funds account for the services provided by one department to other departments of the School District on a cost-reimbursement basis.

Fiduciary Funds

Agency Funds - Agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function, and object level within the general fund and at the fund level for all other fund types. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

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

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

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

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

Note 4 - General Operating Assumptions

The Springfield Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, tangible personal property taxes, and trailer taxes. Advances may be requested from the Summit County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and last year of collection.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last year of Collection	Full Tax Rate (Mills)
Inside Millage Limitation	n/a	n/a	\$5.50
Continuing Operating	1976 and Prior	n/a	24.00
Operating Renewal	2000	2005	7.00
Emergency Renewal	2000	2005	2.60
Emergency Renewal	1995	2001	4.70
Emergency Renewal	2000	2006	4.18
Emergency Operating	2000	2006	4.53
Total Tax Rate			\$52.51

General Property Tax (Real Estate) - 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 schedules represent gross property tax revenue. The forecasted general property tax revenue is based upon actual receipts for fiscal year 2001 and information provided by the Summit and Portage County Auditors. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon this information, the School District anticipates receiving \$8,240,000 in real estate tax revenue in fiscal year 2001, a \$876,000 increase from fiscal year 2000. This increase is the result of a new five-year emergency operating levy which is anticipated to generate approximately \$1,600,000, annually. The School District will receive one-half year's collection from the new levy in the current fiscal year.

The amounts forecasted for fiscal years 2002 through 2005 are based on information provided by the Summit and Portage County Auditors which includes a full year of collections of the new property tax in fiscal year 2002, and slight increases in fiscal years 2003 through 2005 due to new construction and tri-annual update for property valuations.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business and a portion of the public utility personal property tax revenue. As with general property taxes, tangible personal property tax and public utility personal property tax revenues are based upon information provided by the Summit and Portage County Auditors. Based upon these estimates, the School District anticipates receiving \$2,761,000 in tangible personal property tax revenue for fiscal year 2001 which is \$323,000 less than the amount received in fiscal year 2000. The decrease is due to changes in the assessed value of personal property.

Tangible personal property taxes are anticipated to increase \$162,000 in fiscal year 2002 due to the effects of the full year collection of the new emergency operating levy mentioned above. For fiscal years 2003 through 2005, tangible personal property taxes are forecasted to decrease approximately one percent annually throughout the remainder of the forecast period due to changes in the assessed value of personal property.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

B. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, vocational education, and preschool units.

In 1998, State law set the base cost per pupil at \$3,851 and increased the rate each year thereafter, to \$4,052 for fiscal year 2000, and \$4,294 for fiscal year 2001.

The anticipated revenue for fiscal year 2001 of \$7,358,000 is based on current estimates provided by the Ohio Department of Education. The estimated increase of \$72,000 is due to changes in categorical funding levels. For fiscal years 2002 through 2005, the School District anticipates unrestricted grants-in-aid to remain consistent. These estimates take into account the reduction of the unrestricted portion of DPIA moneys.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid for fiscal year 2001 consists of disadvantaged pupil impact aid (DPIA) and a bus purchase allowance in the amount of \$108,000, and \$27,000, respectively. The School District anticipates these resources to increase \$46,000 in fiscal year 2002 and remain constant through fiscal year 2005; however, the restricted portion of DPIA revenue will increase to 100% or \$154,000 beginning in fiscal year 2002.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information from the Summit and Portage County Auditors for fiscal year 2001, is anticipated to increase by \$127,000 over the prior fiscal year. The increase is due to a one-half year collection of a new emergency operating levy mentioned above.

Fiscal year 2002 will increase an estimated \$92,000 due to the full year collection of a new levy mentioned above. The property tax allocation is forecasted to increase slightly in fiscal years 2003 through 2005 in direct proportion to the real property tax revenues.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

E. - All Other Revenues

All other revenues include tuition, transportation, earnings on investments, miscellaneous receipts from local sources, receipts from Federal sources (CAFS reimbursements), sale of assets and compensation for lost books. These revenues are forecasted at \$771,000 for fiscal year 2001, an increase of \$166,000, based on historical trends with the only significant change being an increase in tuition from other school districts through the State foundation settlements in fiscal year 2001.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

F. - Advances In

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund. The general fund will receive \$160,000 in fiscal year 2001 from various special revenue grant funds. For fiscal years 2002 through 2005, the School District is projecting annual amounts of \$30,000 to be repaid by the grant funds.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, overtime, severance pay, board members' compensation, and student workers. All employees receive their compensation on a bi-weekly basis. The certified, classified, and administrative staff levels are expected to increase during the forecast period, based on enrollment, even though the School District has cut staff in the past.

Certified (teacher) staff salaries are based on an expired negotiated contract which includes only step increases and educational incentives. The contract covered the period of August 22, 1996, to August 21, 1999. Classified staff salaries are also based on an expired negotiated contract which includes only step increases. The contract covered the period from September 1, 1993 to August 31, 1996. The Board of Education continues to follow the last salary schedule in the expired contracts and authorized payment of step increases according to those schedules. Negotiations are currently in progress. Administrative salaries are set by the Board of Education.

The School District offers severance pay to its employees of up to one-fourth of the accumulated sick leave to a maximum of 45 days for certified employees and up to one-fourth of the accumulated sick leave to a maximum of 45 days for classified employees having ten or more years service leaving active service (not due to retirement) and one-fourth of accumulated sick leave up to a maximum of 55 days for classified employees retiring from active service.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

The personal services expenditures of \$11,250,000 for fiscal year 2001 is a decrease of \$220,000 from fiscal year 2000. Although salaries include step increases for all employees, these increases are offset by the elimination of seven certified positions, retirements, positions being filled at a lower salary, and a decrease in certified severance pay.

The cost of personal services for fiscal years 2002 through 2005 includes salaries and wages for certified and classified staff, supplemental contracts, substitutes, severance pay, overtime, board members and student workers. Salaries are forecasted for fiscal years 2002 through 2005 based on the historical trends of the District. The amounts are based on 26 pays in each fiscal year and continuation of the terms of the expired union contracts. The Board of Education continues to follow the last salary schedule in the expired contracts and authorized payment of step increases according to those schedules. Each fiscal year's forecasted expenditures for personal services allow for base, step and educational increases and increases anticipated under future negotiated contracts.

B. - Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

The School District offered a four-year and three-year Early Retirement Incentive Program (ERI) plan in successive years. Fiscal year 2001 includes the last year of payments on the four-year buyout and fiscal year 2002 includes the last year of payments on the most recent three-year buyout. The ERI programs required that teachers be fifty years old on or before December 31, in the year offered, be employed and currently contributing to STRS, and be eligible for service retirement upon the purchase of the service credit. The program began January 1, of the year offered, and ended on December 31, of the year offered. No further ERI programs are anticipated during the forecast period.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, the monthly premiums, and anticipated increases during the forecast period. The School District is partially self-insured for medical/surgical, prescription drug, and dental insurance. All staff have an option of either choosing a traditional form of insurance or a preferred provider organization (PPO). Staff who elect vision insurance must select a PPO.

The general fund and other funds make monthly premium payments to the self-insurance fund based on the number of employees participating and the funding estimates provided by the third party administrator. The self-insurance fund makes payments for billed medical/surgical, prescription drug, vision, and dental claims, HMO premiums and administrative costs. The balance in the self-insurance fund as of April 2001 was \$1,107,000. Monthly premiums may be waived if the balance in the self-insurance fund exceeds the target balance of \$780,000.

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

The School District currently participates in the State Workers' Compensation system, which is based on the School District's rate and the actual salaries for the premium period. In prior years, the School District participated in the retrospective rating plan. This plan involves payment of a minimum premium for administrative services and stop-loss coverage plus the actual claims cost for employees. The School District is still involved with this plan for a period of ten years after the last year they participated.

Employee retirement and insurance benefits are forecasted at \$4,218,000 for fiscal year 2001, a \$442,000 decrease from fiscal year 2000. This decrease is due to a decrease in SERS retirement benefit payments, ERI payments, and the School District taking three premium holidays to reduce the balance in self-insurance hospitalization fund to the target balance of \$780,000. The anticipated expenditures for fiscal years 2002 through 2005, will continue to decrease as the final payments are made for the early retirement incentive programs offered in prior years.

C. - Purchased Services

Purchased service expenditures include professional services, property services, utilities, tuition and transportation costs. The School District is anticipating a \$542,000 increase in purchased services for fiscal year 2001. The increases are for utility services due to the increase in cost for natural gas, tuition payments to the community schools and transportation costs. The closing of an elementary school building at the end of fiscal year 2001 is anticipated to provide an annual savings of \$2,000 in communications costs and \$10,000 in utilities costs. However, these and personnel savings will be offset by an estimated increase in busing costs of \$136,000.

The School District contracts for busing with Laidlaw Transit, Inc. The contract was extended in April 2001 through July 31, 2002. The extension limited the current annual increases of four and one-half percent per year; to an annual increase on August 1, 2001 at the consumer price index for the prior twelve months, not to exceed three percent.

The expenditures for fiscal years 2002 through 2005 are anticipated to increase two percent each year. In addition, fiscal year 2002 includes additional expenditures for contract negotiations with the bargaining units for the certified and classified staff.

D. - Supplies and Materials

Expenditures for supplies and materials include general and office supplies, teaching aids, dispensary supplies, software materials, textbooks, and supplemental textbooks. Fiscal year 2001 expenditures for general supplies, textbooks and supplies and materials for operations, maintenance and repairs for motor vehicles are anticipated to increase \$26,000. Fiscal year 2002 will increase significantly due to a substantial increase in the purchase of textbooks. Fiscal years 2003 through 2005 will see increases approximating three percent annually for textbooks, instructional materials and other expenditures for non-instructional items.

E. - Capital Outlay

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

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Capital outlay expenditures are forecasted to be in the amount of \$16,000 for fiscal year 2001. The expenditures include various types of school equipment, computers and other items. These expenditures are anticipated to increase during the remainder of the forecast period.

The School District has a permanent improvement levy under Section 5705.21, Ohio Revised Code, that provides approximately \$360,000, annually. Planned capital outlay expenditures from the permanent improvement fund are for various types of school equipment, computers, and other technological equipment.

F. - Debt Service

The School District issued spending reserve, tax anticipation notes of \$1,378,000 during fiscal year 1998, and \$1,206,000 during fiscal year 1999, and repaid the notes during fiscal years 1999 and 2000, respectively. During fiscal year 2000, the School District obtained a \$1,800,000 advance from the State Solvency Assistance Advance Fund. The solvency assistance advance is being repaid over two years beginning in fiscal year 2001 from State foundation revenues.

The School District has not issued any debt during fiscal year 2001 and does not anticipate the issuance of any debt during the remainder of the forecast period.

The following principal and interest payments will be made during the forecast period for energy conservation loans and a solvency assistance advance.

<u>Year</u>	<u>Energy Conservation</u>	<u>Solvency Assistance</u>	<u>Total Principal</u>	<u>Interest</u>
FY 2001	\$140,000	\$900,000	\$1,040,000	\$89,000
FY 2002	160,000	900,000	1,060,000	61,000
FY 2003	47,000	0	47,000	52,000
FY 2004	50,000	0	50,000	50,000
FY 2005	53,000	0	53,000	47,000

The energy conservation loans are paid from general fund revenues. The solvency assistance advance is paid from State foundation revenues.

G. - Other Objects

This account includes dues, fees, liability insurance and other miscellaneous goods and services not otherwise classified in another account. For fiscal year 2001, the School District is projecting a \$20,000 decrease in this area due primarily to reductions in county educational service center fees. These expenditures are anticipated to increase three percent annually for the remainder of the forecast period.

H. - Operating Transfers and Advances Out

The School District expects to advance \$30,000 annually to other funds during the forecast period. No transfers out are anticipated during any of the forecast years.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Note 7 - Spending Reserve

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget, nor is it anticipated for fiscal year 2001. The Spending Reserve borrowing authority does not exist after fiscal year 2002.

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 balance.

Encumbrances for benefits, purchased services, supplies and materials, capital outlay and other objects expenditures for fiscal year ended June 30, 2000 were \$289,000 and are forecasted at \$315,000 for June 30, 2001. Encumbrances are forecasted to remain constant during fiscal years 2002 through 2005. Forecasted encumbrances include the State Teachers' Retirement System Advance.

Note 9 - Reservations of Fund Balance

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

Effective July 1, 2001, Senate Bill 345 provides an alternate formula to calculate the set aside amount for the textbook and instructional materials and capital improvements and maintenance. The alternate formula requires three percent of the State base cost formula amount for the current fiscal year multiplied by the school district's student population for that fiscal year. A school district may, at its option, continue to use the current formula to calculate the set aside requirement each year. For presentation in this forecast, management has calculated the set aside requirements based on the alternate formula.

A. - Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The School District had a carry over balance of \$27,000. The set aside amount for fiscal year 2001 is \$459,000. Qualifying expenditures in the amount of \$422,000 are anticipated. The amount not spent will be carried forward decreasing the textbook and instructional material reserve by \$40,000 to \$64,000 at the end of fiscal year 2001.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

During fiscal year 2002, the School District will have a carry over balance of \$64,000 and anticipates \$653,000 in qualifying expenditures, therefore reducing the reserve to zero. For fiscal years 2002 through 2005, the School District anticipates qualifying expenditures to exceed the set-aside requirement and any carryover balance; therefore, no reserve for textbooks and instructional materials is forecasted.

B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2001 is \$459,000. The set aside will be partially offset each year by the levy proceeds of a permanent improvement levy under Section 5705.21 of the Ohio Revised Code. For fiscal year 2001, qualifying offsets and expenditures are anticipated to be \$377,000. Therefore, a reserve of \$82,000 is included.

For fiscal years 2002 through 2005, the annual qualifying offsets and expenditures will not exceed the three percent contribution. Therefore, the School District capital improvements reserve requirement is projected at \$66,000 for fiscal year 2002, \$38,000 for fiscal year 2003, \$16,000 for fiscal year 2004 and no reserve requirement for fiscal year 2005.

C. - Budget Reserve

The School District was required to establish a budget reserve and set aside one percent of certain revenues each year there was a growth of three percent or more in these revenues. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts were required to credit any refund from the Bureau of Worker's Compensation to the budget reserve.

School districts in fiscal emergency were not required to annually set aside revenues in the budget reserve; however, the School District has recorded refunds in the amount of \$255,000 from the Bureau of Worker's Compensation to the budget reserve.

Senate Bill 345, effective April 10, eliminated the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in the SB 345, including the offset a budget deficit. The School District does not anticipate expending the existing balance in the budget reserve during the first four years of the forecast period. However, the School District could use a portion of the budget reserve to offset the projected deficit during fiscal year 2005 if other measures to eliminate that deficit do not occur.

D. - Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2000, the School District had \$68,000 in unspent DPIA monies. In addition, the School District will receive \$108,000 in restricted DPIA monies during fiscal year 2001. The School District anticipates spending \$95,000 in the current fiscal year. Therefore, a reserve of \$81,000 is anticipated at June 30, 2001.

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

The School District anticipates the expenditures for fiscal years 2002 through 2005 based on historical patterns and the existing programs. It is projected that the School District will have reserve requirements of \$81,000 for fiscal year 2002, \$55,000 for fiscal year 2003, \$2,000 for fiscal year 2004, and zero for fiscal year 2005.

Note 10 - Levies

The School District does not plan to place any levies on the ballot during fiscal year 2001. In the past twelve years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
May 1991	Operating Levy	3.20 Mills	4 Years	Failed
May 1991	Operating Levy	1.80 Mills	5 Years	Passed
November 1991	Operating Levy	5.00 Mills	2 Years	Failed
February 1992	Operating Levy	7.00 Mills	4 Years	Passed
November 1994	Operating Levy	3.60 Mills	5 Years	Failed
May 1995	Operating Levy	3.40 Mills	5 Years	Passed
November 1995	Operating Levy	5.50 Mills	5 Years	Failed
November 1995	Emergency Levy	4.70 Mills	5 Years	Passed
November 1995	Operating Levy	7.00 Mills	4 Years	Passed
March 1996	Permanent Improvement	1.80 Mills	5 Years	Failed
November 1996	Permanent Improvement	1.80 Mills	5 Years	Passed
May 1998	Bond Issue / Tax Levy	6.40 Mills	30 Years / 5 Years	Failed
November 1999	Operating Levy	3.70 Mills	5 Years	Failed
March 2000	New Emergency Levy	4.53 Mills	5 Years	Passed
August 2000	Renewal Levy	2.60 Mills	5 Years	Passed
August 2000	Renewal Levy	7.00 Mills	5 Years	Passed
November 2000	Renewal Levy	4.18 Mills	5 Years	Passed
November 2000	Permanent Improvement Renewal	1.80 Mills	5 Years	Passed

Note 11 - Pending Litigation

Management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$7,286,000 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry

**SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of the financial forecast, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operation.

Note 13 - Subsequent Event

The Governor signed the State Education and Operating Budget for fiscal years 2002 and 2003 on June 6, 2001. The budget increased the base cost per pupil funding to school districts. The effects of the increase in base cost per pupil and other changes in the state foundation program have not been provided by the Ohio Department of Education. However, the capital improvements set-aside balance for fiscal years 2002 through 2005 may increase, beginning in fiscal year 2002, approximately \$40,000 to \$50,000 annually, depending on actions taken by the Board of Education.