



**Mary Taylor, CPA**  
Auditor of State

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

**Financial Forecast  
For the Fiscal Year Ending June 30, 2011**

**Local Government Services Section**

Springfield Local School District  
Summit County

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Mary Taylor, CPA  
Auditor of State

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

and

Board of Education  
Springfield Local School District  
2960 Sanitarium Road  
Akron, Ohio 44312

**CERTIFICATION**

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Springfield Local School District, Summit County, Ohio, and issued a report dated September 22, 2010. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2011 of \$2,408,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2012 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2011.

MARY TAYLOR, CPA  
Auditor of State

A handwritten signature in cursive script that reads "Unice S. Smith".

Unice S. Smith  
Chief of Local Government Services

December 2, 2010



# Mary Taylor, CPA

Auditor of State

Board of Education  
Springfield Local School District  
2960 Sanitarium Road  
Akron, Ohio 44312

## 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 year ending June 30, 2011. 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 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 accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Springfield Local School District for the fiscal years ended June 30, 2008, 2009, and 2010 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

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

MARY TAYLOR, CPA  
Auditor of State

September 22, 2010

Springfield Local School District  
Summit County  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Years Ended June 30, 2008 Through 2010 Actual;  
For the Fiscal Year Ending June 30, 2011 Forecasted  
General Fund

	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual	Fiscal Year 2011 Forecasted
<b>Revenues</b>				
General Property Taxes	\$10,737,000	\$10,357,000	\$10,389,000	\$10,464,000
Tangible Personal Property Taxes	1,494,000	911,000	103,000	15,000
Unrestricted Grants-in-Aid	8,351,000	8,329,000	8,294,000	8,168,000
Restricted Grants-in-Aid	714,000	805,000	36,000	52,000
Restricted Federal Grants-in-Aid - SFSF	0	0	564,000	609,000
Property Tax Allocation	2,659,000	3,211,000	3,606,000	3,729,000
All Other Revenues	2,534,000	2,186,000	2,424,000	2,506,000
<i>Total Revenues</i>	<u>26,489,000</u>	<u>25,799,000</u>	<u>25,416,000</u>	<u>25,543,000</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Notes	2,000,000	4,000,000	0	0
Advances In	196,000	178,000	231,000	212,000
<i>Total Other Financing Sources</i>	<u>2,196,000</u>	<u>4,178,000</u>	<u>231,000</u>	<u>212,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>28,685,000</u>	<u>29,977,000</u>	<u>25,647,000</u>	<u>25,755,000</u>
<b>Expenditures</b>				
Personal Services	14,111,000	13,026,000	12,395,000	12,114,000
Employees' Retirement/Insurance Benefits	5,525,000	5,573,000	5,530,000	5,531,000
Purchased Services	4,815,000	5,443,000	5,412,000	5,313,000
Supplies and Materials	395,000	392,000	412,000	413,000
Capital Outlay	10,000	59,000	115,000	87,000
Debt Service:				
Principal-Notes	2,000,000	2,000,000	2,000,000	0
Principal-Solvency Assistance Advance	956,000	956,000	0	0
Principal-Energy Conservation Bond	63,000	67,000	71,000	75,000
Interest	40,000	41,000	81,000	23,000
Other Objects	744,000	767,000	629,000	704,000
<i>Total Expenditures</i>	<u>28,659,000</u>	<u>28,324,000</u>	<u>26,645,000</u>	<u>24,260,000</u>
<b>Other Financing Uses</b>				
Advances Out	178,000	231,000	212,000	212,000
<i>Total Expenditures and Other Financing Uses</i>	<u>28,837,000</u>	<u>28,555,000</u>	<u>26,857,000</u>	<u>24,472,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(152,000)</u>	<u>1,422,000</u>	<u>(1,210,000)</u>	<u>1,283,000</u>
Cash Balance July 1	1,125,000	973,000	2,395,000	1,185,000
Cash Balance June 30	<u>973,000</u>	<u>2,395,000</u>	<u>1,185,000</u>	<u>2,468,000</u>
<b>Encumbrances and Reserves of Fund Balance:</b>				
Actual/Estimated Encumbrances June 30	223,000	61,000	59,000	60,000
Reserves for:				
DPIA/Poverty Based Assistance	218,000	40,000	23,000	0
Note Proceeds	0	2,000,000	0	0
Total Encumbrances and Reserves of Fund Balance	<u>441,000</u>	<u>2,101,000</u>	<u>82,000</u>	<u>60,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$532,000</u>	<u>\$294,000</u>	<u>\$1,103,000</u>	<u>\$2,408,000</u>

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

Springfield Local School District  
Summit County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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**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 86 classified and 165 certificated personnel to provide services to approximately 2,510 students and other community members.

**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 September 22, 2010, 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.

**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.

Springfield Local School District  
Summit County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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**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:

**Governmental Funds**

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

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

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

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

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

**Proprietary Funds**

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

Internal Service Funds - Internal service funds 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.

Springfield Local School District  
Summit County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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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 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 5 - 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 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 auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the 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 auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2010 (the collection year) for real and public utility property taxes represents collections of 2009 taxes (the tax year). Property tax payments received during calendar year 2010 for tangible personal property (other than public utility property) are for calendar year 2010 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.

Springfield Local School District  
Summit County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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 fiscal year 2012 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2011.

The property tax revenues for the general fund are generated from several levies. The levies being collected for the general fund, the year approved, first and last 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
Emergency (\$1,500,000)	2005	2006	2010	3.66
Current Expense (1992)	2009	2010	2014	7.00
Emergency (\$1,600,000)	2009	2010	2014	3.90
Emergency (\$930,000)	2009	2010	2014	2.27
Total Tax Rate				<u>\$46.33</u>

The School District also has a levy for permanent improvements totaling \$1.80 per \$1,000 of assessed valuation. The School District's total tax rate is \$48.13 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) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$20.31 per \$1,000 of assessed valuation for collection year 2011, and the effective commercial and industrial real property tax rate is \$22.75 per \$1,000 of assessed valuation for collection year 2011.

Springfield Local School District  
Summit County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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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 will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The 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 \$75,000 from the prior fiscal year due to a slight increase in assessed values in both Summit and Portage counties, which increases the tax revenue received on inside millage.

Tangible Personal Property Tax – Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2009 from general business taxpayers and no tangible personal property tax on telephone property will be collected in 2011. The School District, based on the last year of collections before the phase out period, lost approximately \$2,700,000, annually. The State of Ohio reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

#### Unrestricted Grants-in-Aid

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and 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 were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The semi-annual 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 multiplied by the school district's taxable property valuation. The per pupil foundation level was set by State Legislature. Beginning in fiscal year 2008, 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.

Springfield Local School District  
Summit County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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The per pupil amount 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 links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates 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 is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are 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 are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 22 mills for fiscal year 2010 and 2011.

The State Department of Education, Division of School Finance calculates 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 are phased in over a five year period. In addition, school districts are guaranteed 99 percent of prior year's State Foundation aid in fiscal year 2010 and 98 percent of the prior year in fiscal year 2011. For fiscal year 2011, the Springfield Local School District estimates \$7,732,000 in adequacy funding and \$436,000 in guarantee funding. The \$126,000 decrease is due to the increase in State Fiscal Stabilization funding percentage, the decrease in the guarantee funding as well as a decrease in ADM of 59 students.

In fiscal years 2010 and 2011, approximately six percent and nine percent, respectively, 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 Restricted Federal Grants-in-Aid).

**Restricted Grants-in-Aid**

Restricted grants-in-aid consist of career tech monies. For fiscal year 2011, the School District anticipates \$52,000 in career tech monies.

**Restricted Federal Grants-in-Aid**

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 is distributed to school districts as part of the foundation settlement payments twice a month. The Springfield Local School District, based on estimates provided by the Department of Education, anticipates \$609,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries.

Springfield Local School District  
Summit County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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**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 will increase State allocation revenue and decrease 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.

Historically, the State exempted the first \$10,000 in general business personal property from taxation and reimburse the School District for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be 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 fiscal year 2011, the School District anticipates receiving \$2,275,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

<u>Revenue Sources</u>	<u>Actual Fiscal Year 2008</u>	<u>Actual Fiscal Year 2009</u>	<u>Actual Fiscal Year 2010</u>	<u>Forecasted Fiscal Year 2011</u>	<u>Variance</u>
Homestead and Rollback	\$1,233,000	\$1,411,000	\$1,444,000	\$1,454,000	\$10,000
Tangible Personal Property Exemption	31,000	0	0	0	0
Tangible Personal Property Loss Reimbursement	<u>1,395,000</u>	<u>1,800,000</u>	<u>2,162,000</u>	<u>2,275,000</u>	<u>113,000</u>
Totals	<u>\$2,659,000</u>	<u>\$3,211,000</u>	<u>\$3,606,000</u>	<u>\$3,729,000</u>	<u>\$123,000</u>

**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 remain consistent with the prior fiscal year. 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.

Springfield Local School District  
Summit County  
Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011

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 year 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 increased due to the rental of additional space at Boyer Kindergarten Center to the Summit County Educational Service Center.

Student class fees stayed consistent with fiscal year 2010 due to the School District's discontinuance of a pay-to-participate policy for its athletic, cheerleading, and marching band programs in fiscal year 2009. This policy was in place during all of fiscal year 2008 and a portion of fiscal year 2009.

The School District received \$155,000 in reimbursements from the Medicaid Schools Program (MSP) during fiscal year 2010 and expects to receive the same amount in 2011.

All other revenues consist of the following:

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecasted Fiscal Year 2011	Variance Increase (Decrease)
Open Enrollment Tuition	\$1,355,000	\$1,387,000	\$1,515,000	\$1,514,000	(\$1,000)
Other Tuition	663,000	372,000	410,000	453,000	43,000
Extracurricular Transportation	25,000	26,000	24,000	25,000	1,000
Interest	153,000	37,000	7,000	7,000	0
Rentals	34,000	44,000	87,000	114,000	27,000
Student Class Fees	148,000	27,000	16,000	16,000	0
CAFS Reimbursements	52,000	0	0	0	0
MSP Reimbursements	0	173,000	155,000	155,000	0
E-Rate	42,000	20,000	47,000	58,000	11,000
Other	62,000	100,000	163,000	164,000	1,000
Totals	<u>\$2,534,000</u>	<u>\$2,186,000</u>	<u>\$2,424,000</u>	<u>\$2,506,000</u>	<u>\$82,000</u>

**Other Financing Sources**

Proceeds from Sale of Notes – During fiscal year 2008, the School District issued \$2,000,000 in tax anticipation notes at a 3.09 percent interest rate. During fiscal year 2009, the School District issued \$4,000,000 in tax anticipation notes at a 3.36 percent interest rate.

Advances In – During fiscal year 2010, advances were made for a total of \$212,000 to other funds. For fiscal year 2011, those advances are expected to be repaid.

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**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 forecast period are displayed in the chart below. The amounts represent full time equivalents.

	2008	2009	2010	2011
General Fund:				
Certified	181	161	146	139
Classified	76	70	72	73
Total General Fund:	<u>257</u>	<u>231</u>	<u>218</u>	<u>212</u>
Other Funds:				
Certified	21	18	29	26
Classified	17	19	13	13
Total Other Funds:	<u>38</u>	<u>37</u>	<u>42</u>	<u>39</u>
Totals	<u><u>295</u></u>	<u><u>268</u></u>	<u><u>260</u></u>	<u><u>251</u></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, 2009 to August 20, 2010, and allows for no increase in the base salary for the life of the contract but allows for step increases ranging from 2.7 to 5.8 percent. Although the contract has expired, as of the date of this report, a new contract has not been agreed upon. Therefore, salaries are estimated based on only the step increases employees were entitled to under the old contract. Certified salaries are forecasted to decrease due to staff reductions that were done for fiscal year 2011. In prior fiscal years, certified staff received similar step increases as is forecasted this fiscal year.

Classified salaries are based on two negotiated contracts which includes base and step increases. The contracts cover the period July 1, 2005 to June 30, 2010. The contracts allow for a 3.25 percent increase in the base salary for fiscal years 2006 and 2007 and no base increases for the remainder of the contract, wage and benefit re-opens for fiscal year 2010 and step increases ranging from 0 to 6.1 percent in each year of the contracts. Although the contract has expired, as of the date of this report, a new contract has not been agreed upon. Therefore, salaries are estimated based on only the step increases employees were entitled to under the old contract. Classified salaries are forecasted to decrease due to retirees being replaced with lower paid workers and the retirement of the former Treasurer, who has been replaced by a Treasurer whose salary is shared with a neighboring school district.

The general fund forecasted salaries are based on the employee's fiscal year 2011 salary. Substitutes are expected to remain consistent with the prior fiscal year for classified staffing and increase slightly for certified staffing due to tutors' salaries. Tutor wages are projected to increase in fiscal year 2011 and tutors are included in the substitute category. Supplementals are anticipated to remain consistent with the prior fiscal year.

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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. Severance costs for employees are anticipated to decrease due to the retirement of less staff members during the forecast period compared with fiscal year 2010.

Presented below is a comparison of salaries and wages for fiscal years 2008, 2009 and 2010 and the forecast period.

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Certified Salaries	\$10,614,000	\$9,938,000	\$9,079,000	\$8,883,000	(\$196,000)
Classified Salaries	2,476,000	2,069,000	2,269,000	2,226,000	(43,000)
Substitute Salaries	706,000	610,000	595,000	606,000	11,000
Supplemental Contracts	192,000	236,000	225,000	225,000	0
Severance	113,000	131,000	194,000	141,000	(53,000)
Other Salaries and Wages	10,000	42,000	33,000	33,000	0
Totals	<u>\$14,111,000</u>	<u>\$13,026,000</u>	<u>\$12,395,000</u>	<u>\$12,114,000</u>	<u>(\$281,000)</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. The School District pays the employee retirement contributions for its superintendent and treasurer. The decrease that appears on the schedule below is due to the decrease in salaries.

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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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 for health care benefits are as follows:

<u>Coverage:</u>	<u>Effective April 1, 2008</u>	<u>Effective April 1, 2009</u>	<u>Effective April 1, 2010</u>
Family	\$1,256.14	\$1,446.09	\$1,394.28
Single	471.21	540.88	521.36

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 less employees in fiscal year 2011 and the health insurance rates are lower than the majority of fiscal year 2010. Although these factors would typically cause a decrease in health insurance costs, the School District took a premium holiday in March 2010, causing the fiscal year 2010 amount to be lower than the amount anticipated for fiscal year 2011.

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 2010, due in May 2011, is anticipated to be lower than fiscal year 2010. The workers compensation calculation for 2011 showed a decrease in workers' compensation due to a reduction in salaries.

Medicare is based on a percentage of wages and is estimated to decrease in fiscal year 2011, based on a decrease in salaries. For fiscal year 2011 unemployment is anticipated to remain consistent with the prior fiscal year. This is due to a similar number of positions being reduced for fiscal year 2011.

Presented below is a comparison of fiscal years 2008, 2009, 2010 and the forecast period:

	<u>Actual Fiscal Year 2008</u>	<u>Actual Fiscal Year 2009</u>	<u>Actual Fiscal Year 2010</u>	<u>Forecast Fiscal Year 2011</u>	<u>Variance Increase (Decrease)</u>
Employer's Retirement	\$2,165,000	\$1,764,000	\$2,086,000	\$1,897,000	(\$189,000)
Health Care/Life Insurance	2,846,000	3,274,000	3,022,000	3,280,000	258,000
Workers' Compensation	273,000	277,000	233,000	167,000	(66,000)
Medicare	173,000	164,000	166,000	163,000	(3,000)
Unemployment	68,000	94,000	23,000	24,000	1,000
Totals	<u>\$5,525,000</u>	<u>\$5,573,000</u>	<u>\$5,530,000</u>	<u>\$5,531,000</u>	<u>\$1,000</u>

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**Purchased Services**

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

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
Professional and Technical Services	\$323,000	\$347,000	\$379,000	\$361,000	(\$18,000)
Property Services	287,000	296,000	211,000	217,000	6,000
Travel and Meeting Expenses	76,000	66,000	27,000	56,000	29,000
Communication Costs	74,000	78,000	42,000	39,000	(3,000)
Utility Services	626,000	584,000	626,000	593,000	(33,000)
Tuition Payments	2,840,000	3,478,000	3,534,000	3,529,000	(5,000)
Pupil Transportation	110,000	111,000	84,000	85,000	1,000
Pupil Transportation-Bus Contract	431,000	463,000	486,000	422,000	(64,000)
Other Purchased Services	48,000	20,000	23,000	11,000	(12,000)
Totals	<u>\$4,815,000</u>	<u>\$5,443,000</u>	<u>\$5,412,000</u>	<u>\$5,313,000</u>	<u>(\$99,000)</u>

Professional and technical services decreased from the prior fiscal year due to the School District requiring only essential services for fiscal year 2011. Property services increased due to new lease contracts. Utility services decreased due to the School District partnering with FirstEnergy in a pooled cost-savings program for electric and a projected rate decrease in natural gas. Tuition payments decreased due to less students open enrolling at other school districts.

The School District contracts out bus service for the School District. During the current fiscal year, the School District expects to see a decrease associated with these services due to dropping one summer special education bus route and the fact that fiscal year 2010 costs included amounts owed for fiscal year 2009.

**Supplies and Materials**

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

	Actual Fiscal Year 2008	Actual Fiscal Year 2009	Actual Fiscal Year 2010	Forecast Fiscal Year 2011	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$151,000	\$168,000	\$167,000	\$167,000	\$0
Operations, Maintenance and Repair	225,000	201,000	236,000	231,000	(5,000)
Textbooks	19,000	23,000	9,000	15,000	6,000
Totals	<u>\$395,000</u>	<u>\$392,000</u>	<u>\$412,000</u>	<u>\$413,000</u>	<u>\$1,000</u>

Supplies and materials are forecasted to stay in line with prior year expenditures.

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**Capital Outlay**

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2011, the School District is forecasting \$87,000 in equipment expenditures, which is less than prior fiscal year expenditures due to large one-time computer software costs in fiscal year 2010. The School District has a permanent improvement fund that is expected to generate approximately \$355,000 in fiscal year 2011. The School District uses this fund to make most capital expenditures, which are limited to necessary repair and maintenance costs.

**Debt Service**

In fiscal year 2000, the School District issued \$955,578 in energy conversation notes at 5.91 percent. The notes have a maturity date of December 1, 2014 and an outstanding balance at June 30, 2010 of \$421,000. The School District will pay \$75,000 in principal and \$23,000 in interest on these notes during fiscal year 2011. These notes are being repaid with property taxes.

During fiscal year 2008, the School District issued \$2,000,000 in tax anticipation notes at a 3.09 percent interest rate. The notes were repaid during fiscal year 2008. During fiscal year 2009, the School District issued \$4,000,000 in tax anticipation notes at a 3.36 percent interest rate. \$2,000,000 of the notes was repaid during fiscal year 2009 and the remaining \$2,000,000 of the note proceeds were issued in the last ten days of fiscal year 2009 and were payable from property taxes to be collected in fiscal year 2010. Under State law, these proceeds were not spent until the start of the next fiscal year. The remaining \$2,000,000 in notes was repaid during fiscal year 2010 when tax revenues were received.

**Other Objects**

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$704,000, which is higher than the prior fiscal year primarily due to higher county board expenditures, higher auditor and treasurer fees and election expenses.

**Advances Out**

For fiscal year 2011, \$212,000 in advances are anticipated to be made to the food service fund, the district managed activities fund, and various grant funds to cover deficits at fiscal year-end. Advances out to the food service fund, district managed activities fund, and the grant funds are expected to be \$127,000, \$1,000, and \$84,000, 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 year ended June 30, 2011 are estimated to be \$60,000.

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**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 future years.

**Textbooks and Instructional Materials Set-Aside**

Under Section 3315.17(B)(2), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the textbook set aside. The Board of Education by resolution has waived the set-aside requirement for fiscal year 2011; therefore no reserve amount is forecasted for textbooks and instructional materials.

**Capital Acquisition and Improvements Set-Aside**

Under Section 3315.18(D)(1), Revised Code, a Board of Education in fiscal emergency may deposit less than the required set aside or make no deposit into the capital set aside. The Board of Education by resolution has waived the set-aside requirement for fiscal year 2011; therefore no reserve amount is forecasted for capital acquisition and improvements.

**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 increase throughout the fiscal year. The School District anticipates the premiums during fiscal year 2011 will be sufficient to cover the claims and administrative costs.

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**Note 12 - Levies**

Since 2000, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

Date	Type	Amount	Term	Election Results
March 7, 2000	Emergency (Renewal)	\$1,600,000	5 Years	Passed
August 8, 2000	Current Expense	7.00 mills	5 Years	Passed
August 8, 2000	Emergency (Renewal)	930,000	5 Years	Passed
November 7, 2000	Permanent Improvement	1.80 mills	5 Years	Passed
November 7, 2000	Emergency (Renewal)	1,500,000	5 Years	Passed
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

**Note 13 - Financial Planning and Supervision Commission**

On May 16, 2007, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Summit County Fiscal Officer. 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 in accordance with the plan.

The initial financial recovery plan was adopted on August 23, 2007 and under State law is to be updated annually. The updated recovery plan, adopted on July 27, 2010, includes a reduction in force of employees in the School District resulting in a reduction of 12.37 positions from the general fund.

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**Note 14 - Information Related to Periods Beyond the Forecast Period**

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in May 2010 covered fiscal years 2010 through 2014 and assumes the continued operation of the School District with no significant increases in revenues. The plan assumes that staff will decrease in fiscal year 2011 and subsequent years due to the retirement of certified teachers that will not be replaced. At that time, the School District anticipated an operating surplus of \$1,550,000 for fiscal year 2011 and an accumulated operating deficit of \$8,508,000 by the end of fiscal year 2014. The recovery plan adopted by the Board of Education and the Financial Planning and Supervision Commission does not address periods beyond fiscal year 2011. An updated five-year financial plan is required to be filed with the Ohio Department of Education by the end of October 2010 and will cover fiscal years 2011 through 2015.

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

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**Mary Taylor, CPA**  
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  
DECEMBER 2, 2010**