GENEVA AREA CITY SCHOOLS
FIVE YEAR FORECAST ASSUMPTIONS
FORECASTED FISCAL YEARS ENDING JUNE 30, 2012 THROUGH 2016
Board Approved 10/19/11
Revised 5/16/12

REVENUES
Property Taxes (1.010 & 1.020)

Property tax revenue estimates are based on historical growth patterns, including scheduled updates and reappraisals, and normally substantiated by information provided for the current fiscal year from the county auditor (the county auditor's information is supplied by calendar year).

Ashtabula County sexennial reappraisal schedule: 2008, 2014, 2020
Ashtabula County triennial update schedule: 2005, 2011, 2017

2008 valuation increased $28,026,483 or 8.62%, mostly due to reappraisal.
2009 valuation increased $4,732,272 or 1.34%
2010 valuation increased $3,909,748 or 1.09%
2011 valuation decreased $21,225,160 or 5.87%, due to triennial update

Increases in actual collections are kept down by HB920 reduction factors, which offset the effects of reappraisals and updates on previously existing property.

The drop in valuation should result in $60,491.71 less tax revenue being collected during 2012 from the District's three inside mills, using the Auditor's 95% collection estimate.

All District current operating levies are continuing.

The District was at the 20-mill floor until 2012, when devaluation took us to a 21.176 effective rate on Residential/Agricultural and a 21.405 effective rate on Commercial/Industrial.

House Bill 66 phased out the tax on the tangible personal property of telephone and telecommunications companies, eliminating it by 2011. The county auditor distributes collections on public utility personal property through the real estate settlements, so this phase out affected our real estate revenues.

Mike Sobul from the Ohio Department of Taxation had reported at the 2011 OASBO Annual Workshop in April that Ashtabula County should see an average decrease in valuation of 9% as a result of the triennial update in 2011. Our District fared better than the rest of the county

HB66 expanded the homestead exemption to include all senior citizens and permanently disabled homeowners, regardless of income. This change caused a shift of revenues, reducing real estate collections and increasing the property tax allocation on line 1.050. Because of this, actual real estate collections in FY2008 were down from the previous year, coming in at $5,927,707. After the initial change, collections began to grow again each year.

Conditions in the housing market resulted in decreasing valuations, slowing down growth in real estate collections. The Ohio Department of Taxation is predicting that the problems in the housing market will haunt us at least through 2014. Their recommendation to counties is to show negative or no growth in residential property values. In Geneva's case, the last fiscal year (FY2011) showed a 4.41% increase, while the previous two fiscal years (FY2010 and FY2009) after the 2008 reappraisal showed 4.35% and 2.65% increases over the previous year real estate collections. Compare this to FY2007 and FY2006 which showed 8.61% and 2.35% increases after the 2005 update. With the real estate settlement complete, collections decreased a little more than 1% for FY2012. With the initial drop in valuation out of the way after the triennial update, this forecast projects very modest increases, due mostly to new construction, of .5% for FY2013, .5% for FY2014, 1% for FY2015 and .5% for FY2016.

The Board voted to put an emergency operating levy on the ballot in November 2011, which failed 62% to 38%. The Board is putting another emergency operating levy on the ballot for August 2012.

House Bill 66 phased out the tax on tangible personal property of general businesses and railroads over the period from 2006 to 2010. The Ohio Department of Taxation released information establishing tax year 2004 as the base year and showing the tax value losses, by tax year, throughout the phase-out period. Using tables provided by ODT for Geneva Area City Schools, our forecasts began applying the tangible personal property revenue losses on a fiscal year basis beginning with FY2007. Calendar year 2011 was the final year of the phase out. Revenue showing on this line currently is from delinquent collections.

House Bill 66 replaced the revenue lost due to phasing out the tangible personal property tax. Through FY07, these payments consisted of direct payments that were simply portions of the losses, spread out in three payments during the fiscal year. For FY08, the calculations of the reimbursements involved the calculation of an offset in the SF-3 and took into account the increases in the tax losses from year to year because the tax reduction was being phased in and increased each year. The offset was needed first in FY08 because that was the first fiscal year in which the reduced tax year 2006 valuations were used in SF-3 calculations, and thus affected the amount of SF-3 funds the district received. Unfortunately for school districts, HB153 (the new biennial budget legislation) contained Governor Kasich's proposal to do away with the reimbursements, phasing them out completely for most districts in two years. The number of payments was reduced to two during the fiscal year.

Income Tax (1.030)

No income tax is currently on the books, and the District does not anticipate any new income tax levies during this period.

Unrestricted & Restricted Grants-In-Aid (1.035 & 1.040)

<u>DeRolph Note</u>

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.

After the first Supreme Court ruling, numerous pieces of legislation were passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they were 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, which again upheld the lower court ruling. The Ohio General Assembly had a new deadline of June 15, 2001. Amended Substitute HB94 was the State's reply to DeRolph, and after being reviewed by the Ohio Supreme Court, it too was found to be lacking. Nonetheless, the Ohio Supreme Court gave the Ohio General Assembly and Governor Taft credit for trying, and decided to put the case to rest as long as the General Assembly tweaked their response with a few changes. The State defendants waffled on the changes, and instead requested a review. The Ohio Supreme Court requested the parties work with a mediator in an attempt to see if the school funding case could be settled. A master commissioner was appointed to preside over the settlement conference the Court ordered on November 16, 2001. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement, so the case was sent back to the Court for reconsideration.

In DeRolph IV, issued December 11, 2002, the Supreme Court directed the General Assembly to enact a school-funding scheme that is thorough and efficient, as explained in DeRolph I and II, and the accompanying concurrences. The Supreme

Court did not retain jurisdiction, but sent the matter to the Court of Common Pleas for Perry County to carry the Judgment into execution. Nothing was done to remedy the problem.

On May 16, 2003, the Ohio Supreme Court denied Plaintiffs the right to pursue a remedy in the Perry County Court of Common Pleas. Paragraph 33 of that decision states "The duty now lies with the General Assembly to remedy an educational system that has been found by the majority in DeRolph IV to still be unconstitutional."

Assumption: The governor and legislature will continue to ignore the four Ohio Supreme Court DeRolph decisions.

Changes in State Funding Method

Through FY2009: SF3, a per pupil funding method, with categorical funding, guarantees, and residual funding. Geneva's funding was flat for FY2008 and FY2009.

FY2010-FY2011: PASS Report, based on the Ohio Evidenced-Based Model (OEBM), with guarantees. First time a funding method used actual methodology rather than the residual method. Provided resources for defined areas, but some categories were phased in and not fully funded. Transitional aid guaranteed a reduction of no more than 1% for FY2010 from FY2009 funding and no more than 2% for FY2011 from FY2010. Federal Stimulus was used to temporarily replace some state funding due to a state budget shortfall. This was done through State Fiscal Stabilization Funding (SFSF), which accounted for 6.3% of state funding in FY2010 and 7.8% in FY2011.

FY2012-FY2013: The Bridge Formula, a transitional approach used because a new funding mechanism was not formulated by the new governor, is a return to residual budgeting. A permanent formula is not expected until FY2014. This method does not replace the loss of federal stimulus dollars used the previous two years. The Federal Education Jobs bill partially replaced the loss of federal stimulus for FY2012. This plan also phases out tangible personal property reimbursements completely by FY2013 for most districts.

Problem: Total state aid package reductions of over $1,444,000 force the District to look for ways to reduce already lean expenditures. The new state budget also eliminated additional EMIS, Career Tech, and Gifted Testing funding, but required that these things still be done even with reduced state funding.

State Aid Assumptions

- State Resources for Foundation are taken from the April No. 2 Foundation Settlement for FY2012. A 'Bridge' Funding Simulation provided by the Ohio Department of Education provides a basis for the FY2013 number. Subsequent years anticipate an increase of $100,000 per year, but that could be optimistic.

- Preschool Special Education Unit funding reflects the April No. 2 Foundation Settlement amount for all years of the forecast. The District expects to maintain the same number of units throughout.

- Special Education Transportation funding also reflects the April No. 2 Foundation Settlement throughout. While cuts are being made to the transportation of regular students, the District expects to maintain the same level of service for its special education population.

- The District is hopeful that at least the same amount of special education home instruction reimbursement will be received each year. However, a payment has not yet been received this year.

- FY2012 shows a net deduction of prior year adjustments for youth services reimbursement and PASS adjustments.

- A Career Technical amount is shown as restricted aid after being deducted from regular Foundation funding. This amount should decrease because the Career-Based Intervention (CBI) program was eliminated as part of expenditure reductions.

- Catastrophic costs are provided to districts that document the need for additional state aid for school age special education students whose cost of education exceed a certain amount set by the State. The amounts recorded reflect partial reimbursement because this program has never been fully funded.

The table below shows projected numbers based on the April No. 2 Foundation Settlement and Bridge Worksheet:

	FY2012	FY2013	FY2014	FY2015	FY2016
Formula ADM	2,544.19	2,544.19	2,544.19	2,544.19	2,544.19
State Resources for Foundation	11,242,741	11,403,744	11,503,744	11,603,744	11,703,744
Preschool Unit Funding	87,686	87,686	87,686	87,686	87,686
Special Ed. Transportation	67,976	67,976	67,976	67,976	67,976
Special Ed. Home Instruct. Adj.	4,000	4,000	4,000	4,000	4,000
Prior Year SF3 Adj. & Other	-1,312				
Total Unrestricted Aid (1.035)	11,401,091	11,563,406	11,663,406	11,763,406	11,863,406
Total Restricted Federal Aid (1.045)	551,356	142,299			
Total “Foundation Support”	11,952,447	11,705,705	11,663,406	11,763,406	11,863,406
Career Tech/Adult Ed.	34,551	10,000	10,000	10,000	10,000
Catastrophic Cost	30,900	30,900	30,900	30,900	30,900
Total Restricted Aid (1.040)	65,451	40,900	40,900	40,900	40,900

Restricted Federal Grants-in-Aid (1.045)

In 2009, 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 was awarded for fiscal years 2010 and 2011. Geneva’s share was $775,947 in FY2010 and $941.57 in FY2011. This money was simply used to supplant state aid. SFSF funds were received through the Foundation Settlements during the fiscal year. The funds were used to retain teaching jobs and expended through the prior fiscal year as teacher contracts were paid off.

Congress passed and the President signed legislation that provided $10 billion in resources to assist local school districts in saving or creating education jobs during the 2010-2011 and 2011-2012 school years. The Education Jobs grant could be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. Geneva is using these funds, $695,655, in FY2012 to help make up some of the loss of SFSF dollars. While the SFSF dollars were received in total within each fiscal year through the Foundation program, but expended between September and August, the Education Jobs money will be received by Project Cash Request through the Comprehensive Continuous Improvement Plan (CCIP) Application only as it is spent. Since this money will be used to supplant teacher salaries and fringe benefits that would normally be paid from the General Fund, it will be received as it is expended from September 2011 through August 2012. This forecast shows $551,356 being received during FY2012 and $142,299 during FY2013, after which there is no more Federal Aid forecasted. These dollars are shown in the table above.

Property Tax Allocation (1.050)

The property tax allocation, better known as Rollback and Homestead, is reimbursement from the state of Ohio for tax credits given owner-occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers and up to

10% for commercial and industrial taxpayers. For the purpose of this forecast, the District's property tax allocation is calculated as a percentage of the general property tax projection. The percentage for FY2012 looks to be 13.57%, which will be used for the remaining years of the forecast.

Fixed Rate Levy Loss Reimbursements for TPP were to be received beginning with FY2006 through FY2013 for each qualifying fixed rate levy, and the payments were to be made beginning in May 2006, and then every August, October and May through May 2013. These payments were direct payments only. Gains in the SF-3 (Offsets) started in FY08 when Tax Year 06 data was used in the SF-3 calculation. These changes were already included in Formula Aid. Our District received $26,943 in FY06, $206,227 during FY07, $352,496 during FY08, $503,086 in FY09, $701,633 in FY10, and $734,036 in FY2011. The phase-out period would have started in August of 2013 and would have continued for the following six years, with the final payment in May of 2019. However, with the Governor's proposal in HB153 to begin and accelerate the phase-out starting in FY2012, the District will only receive $331,821 during FY2012 and nothing thereafter. By 2013, the TPP reimbursement will be completely phased out for us.

Another phase-out accelerated by legislation was the $10,000 Personal Property Tax Exemption. The District received $32,511 in FY2007, $26,503 in FY2008, and $13,241 in FY2009, before the phase out was completed. This will be the last year this note will show in these assumptions.

All Other Revenues (1.060)

These amounts are estimated based on past trends and researching activity over the past two years in detail, and include such items as manufactured homes tax, open enrollment, tuition from parents or other districts, other student fees, investment interest income and other miscellaneous.

Changes have been made to the manufactured homes, or mobile homes, tax that reduced the amount collected compared to previous years. The county auditor's office revealed that a number of mobile home owners had been putting permanent foundations on their dwellings, which pushed them to real estate. This tax was also reduced by the increase in the Homestead reimbursement. $42,134 was received in FY2011. Projections show collections continuing to decrease slightly each year.

An agreement was reached with the Ashtabula County Commissioners to replace revenue lost after the County's takeover of the water company. The agreement required that the County reimburse the District $69,365 for ten years, beginning with 2004, which will be receipted into the General Fund as a payment in lieu of taxes. A similar agreement was reached with the city of Geneva that required payments of $45,330.60 for ten years, beginning with FY2006 and ending in FY2015. An additional "Tax Incentive Donation Agreement" was entered into with Nordic Air for five years, which began with a half payment of $13,204 in FY2006 and full payments of $26,407 from FY2007 through FY2011.

The number of students coming into the District via open enrollment has leveled off the past few years. The Board's Inter-District Open Enrollment policy has caps limiting the number of students entering the junior high and high school. FY2012 figures are not finalized yet, so this forecast uses the April No. 2 2011 Foundation Settlement amount of $1,521,673 throughout the forecast.

Interest income is dependent on available cash flows and market conditions affecting interest rates. Cash flows in this forecast are projected to decrease, and interest rates are at record lows. It is difficult to tell when the economy will improve and when interest rates might begin to rise. This forecast doesn't expect conditions to improve until after 2014. Funds are predominately invested in a good balance of CDs and federal agencies, with some liquid funds in a money market account. Security is the top priority of the investment philosophy of the District. FY2010 interest was only about half of what was forecasted, finishing at $92,123. FY2011 interest earnings were even lower, as higher-earning investments continued to mature and were reinvested at the lower rates. It is estimated that the District will receive only $20,829 in interest to the General Fund for FY2012, and that figure will stay the same for two years until increasing $5,000 per year as the economy recovers slowly.

Miscellaneous includes property rentals, donations, administrative fees for Auxiliary Services and gas tanks, the sale of real and non-real property, and insurance proceeds. FY2012 reflects a one-time donation from Fairmount Minerals of $52,500 to be used for technology, $40,092 from the city of Geneva at the closing for the former Geneva Elementary property, and an estimated $24,260 from auctions at Austinburg and Cork Elementary schools. The District will continue to receive $40,000 payments for three more years from the city of Geneva for the land purchase.

Geneva Area City Schools entered into a lease agreement with the Geneva area Recreation, Education, and Athletic Trust (GaREAT) for GaREAT's SPIRE Academy to use portions of Geneva High School at times when it is not needed for School District purposes. The Agreement will pay the School District $400,000 per year for five years beginning in July of 2012 , with an option for GaREAT to extend the Agreement for two additional five-year terms. Quarterly payments will be received. The first payment of $100,000 was received within ten days after the signing of the Agreement, so the next payment won't be received until after October 1, 2012.

The Geneva Area City Schools Board of Education implemented a Pay to Participate Policy at their 4/18/12 Board meeting. It is estimated that $50,000 will be collected each year to help offset the cost of salaries and fringe benefits charged to the General Fund for coaches and student activity advisors at the high school and middle school.

The following is a summary of All Other Revenues:

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Other Local Taxes	42,134	40,259	40,000	39,500	39,000	38,500
Payment In Lieu of Taxes	141,103	114,696	114,696	45,331	45,331	0
Open Enrollment In	1,446,304	1,521,673	1,521,673	1,521,673	1,521,673	1,521,673
Funded FTE	250.11	266.78	266.78	266.78	266.78	266.78
Tuition from Parents	3,475	6,531	3,150	3,150	3,150	3,150
Tuition from Other Districts	124,374	83,361	83,361	83,361	83,361	83,361
Student Fees	2,086	2,100	2,100	2,100	2,100	2,100
Interest Income	47,557	20,829	20,829	20,829	25,829	30,829
Miscellaneous	48,839	124,442	46,339	46,339	46,339	6,339
SPIRE Rental Agreement	0	100,000	300,000	400,000	400,000	400,000
Pay to Participate	0	0	50,000	50,000	50,000	50,000
Total (1.060)	1,855,872	2,013,891	2,182,148	2,212,283	2,216,783	2,135,952

Other Financing Sources (2.040 & 2.050)

All advances over year-end are planned to be returned in the succeeding fiscal year. The last time the District had a need to advance was in FY2007. The hope is that no more advances will be necessary in the future.

EXPENDITURES

Personal Services and Benefits (3.010 & 3.020)

The amounts for salaries and benefits are based on existing negotiated agreements as well as historical patterns. Percentage increases in the base amount are usually accompanied by additional increases because of step or class advances. Some of these increases are offset slightly by retirements of more experienced personnel or resignations. When attrition has occurred, particularly in the classified ranks, positions have been eliminated or hours have been reduced. FY2008 showed only a .6% increase in total salaries and wages paid, while FY2009 showed a 1.53% increase. Some teacher salaries were moved to other funds payrolls further reducing the effects of a 2% negotiated increase. The use of stimulus dollars from the American Recovery and Reinvestment Act (ARRA) allowed other salaries to be moved out of the general fund and kept the total salary increase in the general operating fund at .944% for FY2010 and .035% for FY2011. Those Federal Stimulus funds have been exhausted. In order to keep the District out of the red in FY2012, a full wage freeze was negotiated with both unions.

Grade configurations changed with the opening of new school buildings. Sixth graders from all elementary schools were combined with the seventh and eighth graders at the new Geneva Middle School, and the Geneva Platt R. Spencer

Elementary School opened to serve K-5. This move eliminated the Geneva and Spencer elementary schools, combining them into a larger school and sending some students to the other two elementary schools. As a result, the following reductions occurred: 9.5 teachers, 1 eight-hour and 1 two-hour Custodian I, and 1 library aide. Savings to the District were $287,803 in salaries and $187,697 in fringe benefits reflected in FY2011 and $68,524 in salaries and $23,970 in fringe benefits in FY2012.

The District applied for and received a waiver to delay the implementation of all-day, every-day Kindergarten for FY2011, and then again for FY2012 and FY2013. The District had plans to implement all-day, every-day Kindergarten for the 2012-2013 school year once construction of the final two elementary schools was complete. Although the District recognizes the need for all-day, every-day Kindergarten, it will now not be implemented in order to prevent further staff reductions. This will allow the additional cost of $230,776 per year that was reflected in the previous forecast to be removed from this forecast.

An additional reduction in force of 3.5 teachers was made for FY2012, reducing another $213,116 in salaries and $51,596 in fringes showing in FY2012, and $40,492 in salaries and $7,426 in fringes in FY2013.

In order to avoid a low cash balance this year and a deficit next year, mid-year classified reductions were instituted. Cuts made included bus driver, phone operator, library aides, in-school suspension and custodians for a savings of $44,900 in salaries and $36,949 in fringes for the remainder of this year and $156,047 in salaries and $95,858 in fringes for FY2013.

As a reaction to decreased state aid, further cuts had to be implemented. Eliminated were 15.5 teaching positions and 26 coaches and student activity advisors, along with additional classified reductions at savings of $820,875 in salaries and $259,600 in fringes for FY2013 and $972,968 in salaries and $304,929 in fringes for FY2014.

No general increase is shown for FY2013. Modest increases of 1% are used to cover any changes in personal services for the last three years of the forecast.

Retirement, Workers Comp, and Medicare increase at the same rate as personal services. The only exception would be if the Workers' Comp rate increased or decreased. The District has worked hard to keep insurance costs down by changing insurance companies and negotiating changes in dental coverage. With the change to a PPO for medical and prescription coverage, the District attempted to hold medical insurance premiums steady. In October 2009, the District was able to lower its medical premiums, realizing a savings of $208,080 in FY2010 and $69,360 in FY2011. The FY2010 fringes decreased to $5,086,928.

Dental insurance was changed from fully-insured to self-insured in January 2011. This change saved the District approximately $33,558 per year, beginning with $16,779 savings in FY2011 and another $16,779 savings in FY2012.

The forecast also reflects an 8% employee contribution to insurance premiums for certified staff and a 5% employee contribution for classified staff (which changed to 8% in January 2012) beginning in August 2011, at a savings of $190,877for eleven months.

In order to continue to meet medical claims costs, this forecast anticipates increasing the medical premium 10% in FY2014 (+$155,253), 10% in FY2015 (+$201,828), and 5% in FY2015 (+$119,545).

Any variance in these assumptions could have a material effect on this forecast.

After the wage freeze shown in FY2012 and no increase in FY2013, a slight increase of 1% is projected to cover the multitude of fringe benefits throughout the rest of the forecast, with the adjustments mentioned.

Any increase in the number of personnel employed by the District beyond what is noted in the forecast could have a material effect on both the personal service and fringe benefit amounts.

Purchased Services (3.030)

Anticipated expenditures in this area are based on historical patterns. There are quite a few expenses the District doesn't control. Open enrollment was added as an expenditure in this category effective with FY1999. A gross expenditure was made as tuition paid to other districts for resident students being educated elsewhere. Although this was done by book adjustments only, and no money actually left the bank, this treatment served to inflate expenditures. The final version of the budget kept the accounting for open enrollment students the same as it has been. The following shows the number of students projected to leave the district and the money that will leave with them.

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Open Enrollment Out	826,799	738,201	738,201	738,201	738,201	738,201
Funded FTE Out	142.26	129.41	129	129	129	129

Expenditures increases in this category have fluctuated over the years due to changes in utility costs and building construction and demolition. It was anticipated that new buildings would bring increased utility costs even with the more efficient systems because of the addition of air conditioning and square footage to heat and cool. Increased utilities were estimated to be about $113,000 for the M.S. and GPS, because the old buildings were demolished later than originally anticipated and we experienced a colder than normal spring. The demolition of the old Junior High section led to a reduction in utilities. Another $78,349 is added when the new Austinburg and Cork elementary schools open for FY2013. FY2011 purchased services were $3,548,965, an increase of 4.1%. The District will need to keep growth in this category at 2% before adjustments. The District will be in compliance with the percentage requirements for set asides established by HB412 or SB345.

Supplies and Materials (3.040)

This category includes textbooks, software, supplies for classrooms and teachers, office supplies/materials, maintenance supplies, library supplies/periodicals/magazines, gasoline/diesel and parts/tires for buses. Reduced paper usage should be realized at the High School and the Board office because of new multi-function devices (MFDs) replacing copiers in August of 2009. Additional MFDs have been added at GPS and the Middle School. Supplies were reduced over 11.8% from FY2009 to FY2010. Although we have been forecasting supplies at $500,000 to $550,000, it has been impossible to keep it there. FY2011 supplies were $764,516, for an average over the last four years of almost $740,000. An effort needs to be made to at least keep it there. HB153 eliminated the set-aside for textbooks and materials, but this won't change the expenditure in this category.

Capital Outlay (3.050)

Capital outlay expenditures are based on historical patterns. Included in capital outlay are expenditures for equipment, vehicles, building and land improvements, and construction.

The District has a bus replacement program in place that normally involves replacing three buses every year. Only two buses have been purchased in each of the last two years. Bus purchases in the future will depend on the financial outlook at the time and the use of PI funds to keep it out of the general fund.

The forecast will call for $175,000 in capital expenditures each year . The District spent only $168,703 in FY2010 and reduced expenditures even further for FY2011. The District will be in compliance with the percentage expenditure requirements for set asides established by HB412 or SB345. Necessary expenditures to meet the set-aside requirements are offset by proceeds from the District's .85 mill permanent improvement levy and the new .5 mill OSFC maintenance levy.

Other Objects (4.300)

This expense group includes county auditor and treasurer fees, fees on delinquent taxes paid, annual single audit, liability insurance, and professional dues/fees/memberships. Election costs for levy renewals are calculated based on general election costs in the year preceding expiration. Auditor and treasurer fees increase with additional revenue from property taxes. HB119 allowed the county auditors to increase these costs. Additional legislation allowing county auditors to recoup more costs led to an increase from $211,855 in FY2010 to $237,934 in FY2011. This revision will hold this cost to $240,000 for all five years.

Other Financing Uses, Advances/Transfers-Out (5.010, 5.020 & 5.030)

Anticipated expenditures in these areas are based on historical patterns. This expense group primarily accounts for Board transfers to Lunchroom, Athletics, Band, and EMIS and year-end advances to Uniform School Supplies. This forecast does not project any advances to any funds per the note under Advances-In.

In the past, both Lunchroom and Athletics had shown an inability to generate revenues to keep up with increased expenses. Lunchroom has made an outstanding effort to adjust staffing needs by attrition, mainly because of decreased enrollment and fewer lunches served, and made great progress for FY2009 in decreasing the transfer. For FY2010, with increased free and reduced dollars and decreased staffing, another drop in the Lunchroom transfer was realized down to a never-before-seen $4,556.30. The Lunchroom transfer for FY2011 was $72,496.

With our athletic teams participating in the Premier Athletic Conference for the first time in FY2010, increased revenue helped to keep the athletic transfer down to a four-year low of $26,820. EMIS funding was to be supposedly contained in the OEBM model, so it wouldn't have been necessary to transfer any funds. Later in the year, EMIS funding was received separately, requiring us to continue to track it in a separate fund and resulting in a transfer of $20,921. HB153 does away with additional EMIS funding by saying it is contained within regular state aid.

Along with a Band Field Trip transfer of $2,946, the total transfer for FY2010 was down to a twenty-one year low of $55,243. Transfers totaled $128,904 in FY2011. With the elimination of the EMIS transfer, total transfers are projected to be $105,000 through the rest of the forecast.

Encumbrances (8.010)

These are outstanding purchase orders that have not been approved for payment as goods were not received in the fiscal year in which they were ordered. Encumbrances were $169,563 in FY2010 and $99,802 in FY2011. The number used for the forecast will be $100,000.

HB412 Reserve Balance (9.010-9.030)

Beginning with FY1999, each public school district in Ohio was required to spend or set-aside 2% for instructional materials; 2% for capital improvements; and 1% for budget reserve. For subsequent years, 3% must be expended or set-aside for instructional materials and capital improvements; and 1% was to be set-aside in a budget reserve fund each year in which a district's revenue increased by 3% until said fund reached 5%.

Once SB345 was signed by the Governor, it eliminated the requirement for school districts to maintain a budget reserve. The funds that have been previously placed in the budget reserve may, at the discretion of the Board, be returned to the District's general fund or left in the account. However, the Workers' Compensation rebate that was put into the budget reserve can only be used for one of the following purposes: to offset a budget deficit, for school facility construction or repair, for textbooks and instructional materials, for purchase of school buses, or for professional development of teachers. With the adoption of this forecast, the Board resolves that the current balance will remain in the budget reserve until the Board decides its disposition.

This financial forecast includes the requirements of SB345. It is anticipated that qualifying expenditures for instructional materials and capital improvements will be made each year leaving a zero balance at the end of each year. The implementation of the OEBM for funding prompted the Ohio Department of Education to change the state funding amount used to calculate the amount required to be set aside. For FY2011, they doubled the amount given in their spreadsheet, and supplied the information later in the year after the deadline for passing a resolution, thus making the HB412 set aside requirement almost double what had been since its inception. The Board was asked to rescind the original resolution designating the use of the HB412 method in favor of the newer SB345 method. Governor Kasich's current budget did away with the requirement for a textbook and instructional materials set aside.

REVENUE FROM NEW LEVIES (13.010 & 13.020)

This forecast addresses state funding cuts by cutting needed programs and staff. The trend of excess expenditures over revenues (line 6.010) has been downward, with eight out of the last nine years showing deficit spending. It is very difficult to project five years given what is known.

The current biennium budget is far from adequate and represents a big change from previous funding formulas, for the second time in four years. The governor and the legislature have continually failed to address any of the DeRolph decisions. The nation has experienced an economic downturn and the state government faced budget deficits. A previous governor addressed these deficits by further reducing school funding. After several years of state income tax reductions (instead of addressing the school funding issue), Ohio announced cuts late in the year in the education budget, always leaving the possibility of more cuts in the future. The previous governor had given us a biennium budget with flat funding for two years and a second biennium budget with one percent and two percent decreases in funding each year. The current governor has reduced funding to create a better business climate and wants to increase the number of vouchers and charter schools, further eroding funding to public schools.

Because of decreased state funding and the loss of federal money when the current fiscal stabilization and Ed Jobs runs out, it has become necessary to make expenditure cuts (beyond what had already been cut). These changes could have a severe impact on the education delivery system and make it difficult to continue the educational gains this district has achieved. The cuts also affect after-school opportunities for students. The District ranked 126of 614 districts in the state of Ohio in lowest expenditure per pupil, according to the FY2010 district profile reports on the ODE website.

A new levy will be on the ballot in November of 2012, and this is added to line 13.020. Calculation of this levy amount takes into account the figures released by the County Auditor per the note under Property Taxes. This levy, if passed in the November 2012 election, would see collections begin the end of January 2013. Only half the collections of a new levy are shown in the first fiscal year, because the beginning of the calendar year is the second half of the fiscal year. Without passage of a levy, the District would not be able to consider restoring any programs and services.