

**GENEVA AREA CITY SCHOOLS
FIVE YEAR FORECAST ASSUMPTIONS
FORECASTED FISCAL YEARS ENDING JUNE 30, 2011 THROUGH 2015
Board Approved 10/20/10
Revised 5/18/11**

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 underwent a triennial update of its valuations in 2005 and a sexennial reappraisal in 2008. The next events during this forecast that will affect valuations will be a triennial update in 2011 and a sexennial reappraisal in 2014. Just missing the national home mortgage foreclosure problem and the devaluation of home valuations, our 2008 valuation increased \$28,026,483 or 8.62%, mostly due to reappraisal. However, increases in actual collections are kept down by HB920 reduction factors, which offset the effects of reappraisals and updates on previously existing property. The District's valuation for 2009 increased another \$4,732,272 or 1.34%, while the 2010 valuation increased \$3,909,748 or 1.09%. These valuation increases in 2009 and 2010 had to be a result of new construction. In addition, the District is at the 20-mill floor. 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 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 has traditionally fared better than the rest of the county in terms of valuation increases, so this projection is going to assume a 0% increase in valuation for 2011.

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.

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 through 2014. Their recommendation to counties is to show negative or no growth in residential property values. In Geneva's case, the current fiscal year (FY2011) showed a 3.00% 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. The assumption here is that the area served by the District is not going to see the negative growth projected by ODT, but will see more moderate increases than previous years. With that in mind, this forecast projects increases of 1% for FY2012, 1% for FY2013, 1% for FY2014 and 2% for FY2015.

All District operating levies are continuing, and no new operating levies are anticipated during the first year of the forecast. A new high school opened in January of 2006, adding an additional building to the District. The new Geneva Platt R. Spencer Elementary opened in August of 2010, and the new Geneva Middle School opened in January 2011. The old Geneva and Spencer elementary schools and the remaining portion of the old high school will be demolished during the course of this fiscal year. Even though new buildings built under Ohio School Facilities Commission guidelines have efficient technology, heating and air conditioning systems, they could still cause increased operating costs because of the addition of air conditioning and the increase of square footage. The District implemented an expenditure reduction plan over the past six years, renegotiating many vendor contracts and reviewing purchasing methods in order to save money in other areas, but with costs continuing to rise and decreased State funding, a new levy could very possibly be necessary. See assumption on page 11 under Revenue from New Levies.

House Bill 95, the biennial budget bill for FY2004 and FY2005, brought reductions of 10% a year in exempt personal property until it was completely eliminated (the District used to receive approximately \$90,000 a year), and the acceleration of reductions in the inventory tax. House Bill 66 went even further, phasing 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 2010 should be the final year of the phase out.

House Bill 66 replaced the revenue lost due to phasing out the 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 and is 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.

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)

DeRolph Note

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. The former Governor Taft and the Legislature continued to ignore the Court's decision and did nothing 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." DeRolph was never dealt with during the Taft administration. However, Governor Taft and the General Assembly continued to hurt schools by

not only reducing state aid, but also affecting factors that reduced local revenues. A number of those changes were reflected in previous forecasts, but others were hard to measure, and couldn't be adequately represented. The past biennium budgets, HB95 and HB66, were just more of the same. The first biennium budget introduced by new Governor Ted Strickland and changed and passed by the House, didn't do much other than hold funding to the same level as the previous year. HB119 was a major disappointment, especially for Geneva Schools. With the poor economic situation in 2008, Governor Strickland twice made state-wide budget cuts, further reducing education funding in areas other than the foundation funding.

Last year's biennium budget proposed by Governor Strickland and changed by the House and Senate was a vast departure in theory from the previous funding formula, but was not much different in effect with underfunded areas and funding phase-ins. The State just doesn't seem to have nor desire to raise the money necessary to fund education adequately, especially in this economic recession. Time will tell. H.B. 1 deals with changes in the way Ohio educates its students and the way education is funded. The following SF-3 assumptions will no longer exist after FY2009. Because of the complexities in the Ohio Evidence Based Model(OEBM), the FY2010 and FY2011 forecasts only showed the Total Unrestricted Aid as reflected in the October No. 2 2010 Foundation Settlement. That Foundation Settlement showed Total State Support for FY2011 of \$11,168,313 along with \$830,576 in State Fiscal Stabilization Funds (SFSF), which was supposed to represent no more than a 2% decrease in the FY10 State Aid amount. The FY2010 funding amount was guaranteed at 99% of the FY2009 State Aid. As long as we were on the Transitional Aid Guarantee, we would continue to receive funding decreases. Even if the state was able to increase funding through the phased-in formulas, we would still have been on the Transitional Aid Guarantee until our funding increased over \$2,439,519, down from \$3,159,619 last year.

A bigger problem now looms in FY2012 and beyond. State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond FY2011 will be set as part of the State's biennial budget for fiscal years 2012 and 2013, a process that is currently taking place. Due to the economic conditions within the State and the anticipated short fall in tax revenues in the next bi-annual budget, the level at which the State will fund schools is uncertain. State Foundation revenue for FY2012 was originally presented as a 10% decrease from FY2011, then held at the same level for FY2013. State Foundation revenues for FY2014 and FY2015 were presented as a 5% increase over FY2013 for both years. Some legislators had speculated that reductions in state aid to districts could be as much as 22.7% to 30.1% for the next biennium budget. If the State was to decrease funding for schools to this level in any of the future State budgets, the decrease would have a material effect on this forecast. A decrease in State funding equal to one percent of the District's foundation revenue would decrease Unrestricted State Grants-in-Aid by \$112,000 for the current fiscal year and each fiscal year thereafter. The cumulative effect on fund balance in FY2015 would be a decrease of \$448,000 for just that one percent.

If the State were to decrease funding, it was not known whether the decreases would be applied unilaterally to each component of the OEBM or just as a reduction to the transitional aid. That was another reason why the original forecast only showed the total State funding and the changes to it.

A new Governor was elected in November 2010. The Governor's proposed budget did away with the OEBM, and instead of reducing the Unrestricted State Aid, allowed the Federal Aid to decrease without any corresponding increase to State Aid and phased out the Tangible Personal Property reimbursements that were originally promised through FY2019. For this revision, the Governor's proposal is used to populate fiscal years 2012 through 2015. The House has passed their version of the budget with only a few changes. Their version adds a very small supplement to State Aid, \$38,887 in FY2012 and \$49,003 in FY2013, but it is not included here because the budget still has to go through the Senate, have a compromise version between the House and the Senate, and then be subject to the Governor's line-item veto. It is anticipated here that the Governor would veto the supplement if it is presented separately in the House version. If the final budget is different then what is presented here, it would have a material effect on this forecast.

State Foundation Revenue (SF-3)

The following were important criteria for projecting State Foundation Revenues prior to FY2010:

- For FY2009, estimates were based on data provided by the Department of Education, the Auditor of State and the County Auditor. Updated information was provided using figures from the May No. 2 2009 Foundation Settlement.
- The per pupil funding amounts established in a previous biennium budget were \$5,058 for FY2004 and \$5,169 for FY2005. The rate of growth was reduced from 2.8% to 2.2%, thus reducing the amounts set by previous Legislative

action. The per pupil funding amounts in HB66 were \$5,283 for FY2006 and \$5,403 for FY2007. HB119 set the amounts at \$5,565 in FY2008 and \$5,732 in FY2009, a 3% increase each year. The OEEM funding model doesn't use a per pupil funding amount.

- At one time, enrollments in the forecast were based on the higher of formula ADM or 3-year average formula ADM. HB95 eliminated the 3-year average formula ADM beginning with FY2004. Enrollment projections provided by DeJong & Associates updated in 2005 for the District's OSFC/CFAP project showed slight decreases every year through FY2016. But DeJong's projections have not matched actual decreases in the District's formula ADM. With the passage of Issue 10 in May 2007, the District will be able to complete its building project, replacing all the old classroom buildings. The hope here would be that new buildings will stop some of the decreases in ADM and attract additional families and students. So far, with only the new high school completed, that has not happened. Head counts reported by Principals from each of the District's buildings at the September 2009 Board meeting showed a total head count of 2,715. Previous years' SF3s showed that formula ADM was approximately 94% of total ADM, so 2,715 is reduced to 2,552.1, which was used for the first year of the original forecast. The May No. 2 2009 SF-3 listed 2,493.94 as the formula ADM.
- Building Blocks – Total base cost supplements per pupil of \$40 for FY06 and \$47.99 for FY07. HB119 sets the amounts at \$53.11 for FY08 and \$54.69 for FY09. The actual amounts used in this forecast for FY08 and FY09 were calculated using the Building Blocks worksheet supplied by the State with the SF3.
- Formula Aid Guarantee Add On – This guarantee was eliminated by HB119.
- The calculation of recognized valuation reduced the effects on the formula aid calculation of large increases in real property values in the three-year reappraisal and update cycle. The Department of Taxation certifies the amount of carry-over real property from one tax year to another and also certifies the increase in the value of real property as a result of reappraisal or update. The three years certified for use in the FY2008 formula aid calculations were tax years 2006, 2005, and 2004. Abstracts of Real Property for all the taxing districts within the school district showed an increase of \$29,851,560 due to the 2005 update. It was estimated that the tax year 2008 reappraisal resulted in only a \$6,847,805 increase due to reappraisal. The Personal Property component of the District's valuation is phased out from TY2006 through TY2010.
- The Vocational Education Weighted title was changed to Career-Technical/Adult Education and moved from Unrestricted to Restricted. It was not certain whether this funding would be continued as restricted or worked into the OEEM Model. Now it is not certain whether it will be incorporated into the regular State Aid (with no increase to those funds as a result) or remain as Restricted Aid. Since it is such a small amount, this revision is going to keep it as restricted and show it funded throughout the forecast. The amount reflected is from the May No. 1 2011 Foundation Settlement.
- Training and Experience of Teachers reflected a potential adjustment to funding based on the experience level and education level of the district's teachers. Districts with a teaching corps that was above the state average in education and experience received additional funds. There was no penalty assessed against those districts below the state average. For the original forecast in September of 2008, the SF-3 showed \$12,878; later in the year, the SF-3 showed \$0.
- Decreases in OWF counts in turn would have decreased the District's DPIA (Disadvantaged Pupil Impact Aid) funding, except for a guarantee that kept it at the FY1998 allocation level. With HB66, DPIA was replaced by Poverty Based Assistance (PBA). PBA was 100% restricted, but could be used for spending in 13 different categories, including remedial intervention, safety and security, and technology for instructional purposes. HB119 eliminated the 1998 guarantee and greatly reduced the funding from \$119,734 to \$34,932, as well as restricted the use only to intervention. The May SF-3 2009 showed \$40,477. This was another restricted funding area that was continued since it was such a small amount. HB1 eliminated this extra funding, erroneously stating that the money shows up in the new OEEM model, even though we're slated to receive 1% less. The same goes for EMIS and all-day, every-day kindergarten funding, which are also non-existent.
- Section 3317.0217(C) of AM SUB HB94 provided for the Department of Education to annually compute and pay to school districts an amount in parity aid. Parity aid, like the equity aid, provided funding beyond the formula aid although it was considered to be a part of the total SF3 and was distributed in converse relation to the local wealth of school districts. The lowest 80% of school districts in terms of local wealth measure were the recipients of parity aid. However, unlike equity aid, parity aid was treated as restricted revenue for FY2002 and FY2003, and was to be expended on specific areas, mostly in the furtherance of the District's Continuous Improvement Plan. Parity aid could not be used as general operating revenue. If spending requirements were not met, it would have to be returned to the State. Also, parity aid was being phased in from 20% in FY2002 until it reached 100% in FY2006 and beyond. HB95 reduced the phase in from 60% and 80% in FY2004 and FY2005 to 58% and 76%. The spending restrictions were lifted beginning with FY2003. Beginning with FY2004, Parity Aid was moved from restricted aid to unrestricted aid.

HB66 funded parity aid at 100% but reduced the millage rate used in the calculation from 9.5 mills to 7.5 mills. The Governor’s proposal increased the millage rate used to 8.0 mills in FY08 and 8.5 mills in FY09, but decreased the districts funded to the lowest 67% in FY08 and 60% in FY09. We continued to qualify in FY08, but at a greatly reduced amount. At 315 out of 366 eligible districts, we also risked falling off the list if our local wealth per pupil increased faster than other districts in the State. However, it doesn’t apply after FY2009, for HB1 does away with parity aid and all other guarantees except the transitional aid guarantee, which decreases each year to make sure we receive only 99% of FY09 and 98% of FY10 state funding.

- A charge-off supplement was added with the January No. 2 2002 Foundation Settlement, but the figure from the state changed with every settlement. The May No. 2 2009 SF-3 showed \$1,577,542.
- An excess cost supplement appeared on the March No. 2 2003 SF-3 for the first time. Beginning in FY2003, the state paid a district excess cost supplement aid in the amount by which the assumed local shares of special ed. and vocational ed. weighted aid and transportation aid exceed 3 mills times the district’s recognized valuation. The figure on the FY2005 October No. 2 SF-3 was \$14,632, but the FY2005 May No. 1 SF-3 showed \$0.00, so the excess cost supplement was removed from the FY2005 forecast. The FY2006 May No. 1 SF-3 showed \$39,909, so excess cost was restored in that forecast. The October No. 2 2006 SF-3 showed \$41,873, but the October No. 1 2007 SF-3 showed \$29,919, and the May No. 2 2008 SF-3 increased to \$39,689. The May No. 2 2009 SF-3 showed \$58,979.
- A special education home instruction adjustment was added to the forecast in FY2005, a reimbursement from the prior year that in FY2005 was \$9,670, but dropped to \$6,063 in FY2006. The amount increased to \$8,732 in FY2007 and \$11,908 in FY2008. The FY2009 amount was only \$3,465. This reimbursement is not expected to continue in the new biennium.
- The District received a reappraisal guarantee in FY2004 which reflected a guarantee that safeguarded districts from decreases in total state aid due to an increase in local valuations that resulted from an update/reappraisal. The amount for FY2004 for any district that went through reappraisal or update in tax year 2002 was any positive difference amount by which the FY2003 line 22 plus line 21 minus any executive order budget cuts exceeded the FY2004 line 19. The District was eligible again in FY07 for \$523,206, but the reappraisal guarantee was eliminated by HB119. The only guarantee that remained was the transitional aid guarantee. The October No. 1 2007 SF3 listed \$1,413,937, but using the SF3 Transitional Aid Guarantee worksheet and plugging in our projected figures gave us only \$1,280,342. The May No. 2 2008 SF-3 showed \$1,363,635. The May No. 2 2009 SF3 showed \$1,103,859.
- Additional calculations were made after the completion of a fiscal year, and the difference, whether negative or positive, was applied in the subsequent fiscal year as a prior year SF-3 adjustment. The District received an additional \$42,010 from FY2004 in FY2005. The adjustment in FY2006 for FY2005 showed as a negative \$14,512. The District received a total of \$61,136 in FY2007, and an earlier Foundation Settlement listed \$31,965 as the adjustment for FY07, but was subsequently reduced to a -\$16,125. As of the date of the original forecast for FY09, \$31,039 had been received as a FY2008 adjustment. An additional amount was included to cover any other changes to the foundation amount. Due to the uncertainty of the adjustment, nothing was forecasted after FY2009.
- A row for catastrophic costs was inserted in restricted aid for the FY2009 revision. This reimbursement was provided for districts that documented the need for additional state aid for school age special education students whose cost of education exceeded a certain amount set by the State. We hope this continues even with the budget plight. There has been no mention of it being eliminated yet.

The following numbers were plugged into the forecast for Unrestricted/Restricted Grants in Aid according to the OEEM funding model laid out in the May No. 1 2011 Foundation Settlement. This forecast will show only the totals for Unrestricted Aid and any Restricted Aid that has been presented in subsequent years according to Governor Kasich’s proposed budget. The Legislative Service Commission has issued spreadsheets showing the estimated school districts state aid and fixed rate reimbursements for FY2012 and FY2013 per HB 153, the executive budget proposal. Their numbers are used here and for line 1.050.

	FY2011	FY2012	FY2013	FY2014	FY2015
Per Pupil Allocation					
Cost of Doing Business					
Formula ADM	2,593.3	2,593.3	2,593.3	2,593.3	2,593.3
Formula (Before Charge-Off)					
Adj. Recognized Valuation					
Charge-Off					
Formula (After Charge-Off)					

Gifted Aid					
Special Ed. Weighted					
Excess Cost Supplement					
Add On Building Blocks					
Transportation					
Preschool Units					
Special Ed. Transportation					
Charge-Off Supplement					
Transitional Aid Guarantee					
Special Ed. Home Instruct. Adj.					
Prior Year SF3 Adj. & Other					
Parity Aid					
Total Unrestricted Aid (1.035)	11,051,809	11,404,124	11,534,541	11,534,541	11,534,541
Total Restricted Federal Aid (1.045)	935,004	545,615	129,908		
Total "Foundation Support"	11,986,813	11,949,739	11,664,449	11,534,541	11,534,541
Career Tech/Adult Ed.	34,551	34,551	34,551	34,551	34,551
Poverty Based Assistance					
Bus Purchase Allowance					
Catastrophic Costs	40,000	40,000	40,000	40,000	40,000
	74,551				
Total Restricted Aid (1.040)		74,551	74,551	74,551	74,551

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 looks to be \$935,004 in FY2011 according to the May No. 1 2011 Foundation Settlement.

SFSF has not been reauthorized; therefore, SFSF revenues will not be included in this forecast beyond FY2011. In addition, a like amount of SFSF revenues will not be included in or added to Unrestricted State Grants-in-Aid (Line 1.035) for FY2012 and thereafter. It is also noted here that there is no reasonable basis to assume that the State of Ohio will increase State funding for schools to cover or make up the amount of the SFSF funds distributed to school districts. This is apparent in Governor Kasich's budget proposal.

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 may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. Geneva will need to use these funds, \$675,523, 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 Planning (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 \$545,615 being received during FY2012 and \$129,908 during FY2013, then there is no more Federal Aid forecasted.

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. For quite a while, this ran an average of 12.7% of general property tax revenue. HB119 made changes to the Homestead reimbursement, increasing both the amount of the reimbursement and the eligibility for the reimbursement. For FY2008, the percentage was almost exactly 12.8%. FY2009 calculated to 14.19% of the general property tax collections, while FY2010 calculated to 13.6543%, so an average of 13.55% will be used for future years. Another twist, thanks to HB95, has a Department of Taxation Administration Fee being deducted from our Rollback and Homestead reimbursements. This deduction is prorated among all the funds receiving tax collections and is treated as an expense, so it does not change the gross revenue amount.

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 and \$701,633 in FY10. The Department of Taxation website and Ohio Department of Education spreadsheets only gave information for what would be received during calendar year 2010. Since it was not known how much the reimbursement would increase each year until the phase-out began, a comparison of Tax Years 2010 to 2011 showed a 2.4% increase, so that was the increase applied until the phase-out was to begin. The phase-out period would have started in August of 2013 and would have continued for the following six years. Since we were not sure exactly how the phase-out would work, a 14.29% reduction had been applied to each reimbursement beginning in August of 2013 through what would have been the final payment in May of 2019. This projected to a \$734,095 reimbursement for FY11, \$750,200 for FY12, \$768,204 for FY13, \$658,428 for FY14, and \$548,651.55 for FY2015. These amounts were added to the usual Rollback and Homestead amounts. However, with the Governor's proposal to begin and accelerate the phase-out starting in FY2012, which was not changed by the House, the district should only receive \$336,051 during FY2012 and \$6,748 during FY2013. By 2014, the TPP reimbursement will be completely phased out for us.

The \$10,000 Personal Property Tax Exemption had been moved to this category from Tangible Personal Property (line 1.020). The phase-out had also been accelerated by legislation. The District received \$32,511 in FY2007, \$26,503 in FY2008, and received \$13,241 in FY2009, before the phase out was completed. These amounts were also added to the Rollback and Homestead amounts through FY2009.

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. Collections dropped to \$82,823 in FY2001 and further dropped to \$81,339 in FY2002. Collections for FY2003 were \$73,548 and for FY2004, \$75,478, but the collection for FY2005 was only \$69,514. Collections for FY2006 were \$63,875, increased to \$65,913 for FY2007, then fell to \$56,507 for FY2008, again down to \$48,541 for FY2009, and further down to \$39,982 in FY2010. A call to the county auditor's office revealed that a number of mobile home owners have been putting permanent foundations on their dwellings, pushing them to real estate so their value appreciates instead of depreciating. This tax was also reduced by the increase in the Homestead reimbursement, so a 5% decrease was applied to each year of the original forecast. However, \$42,133.97 has been received in FY2011, so this revision is going to adjust the forecast for subsequent years to hold steady at \$42,133.97 until we can see a trend develop. Perhaps mobile home sales have increased because of the economic difficulties.

An agreement was reached with the Ashtabula County Commissioners to replace revenue lost after the County's takeover of the water company. The agreement requires 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 has been reached with the city of Geneva that requires payments of \$45,330.60 for ten years, beginning with FY2006 and ending in FY2015. An additional agreement was recently finalized with Nordic Air for five years, beginning 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 adopted a "revised" Inter-District Open Enrollment policy on 11/15/00 with caps limiting the number of students entering the junior high and high school. The accounting for open enrollment changed in FY1999 to treat as gross revenue in the form of

tuition from other districts for students entering and as gross expenditures in the form of tuition paid to other districts for students exiting. This serves to inflate this line item, since no revenue is actually received other than the net benefit. The State, in years prior to FY1999, had directed districts to adjust basic aid depending on whether they gained or lost students. HB66 also affected open enrollment revenues beginning in FY2007 when the cost of doing business factor dropped from the calculation. FY2011 figures are not finalized yet, so this forecast uses the May No. 1 2011 Foundation Settlement amount of \$1,446,304 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. Some economists are projecting the rise might begin during the first quarter of 2012, but only if the economy shows signs of sustained growth. Funds are predominately invested in a good balance of CDs and federal agencies, with some liquid funds in two money market accounts. Security is the top priority of the investment philosophy of the District. FY2010 interest was only about half of what was forecasted. FY2011 interest earnings will be even less as higher-earning investments continue to mature and are reinvested at the lower rates. Only \$55,000 is expected to be earned in FY2011, and that figure will be increased \$5,000 per year as the economy recovers slowly.

The following is a summary of All Other Revenues:

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Other Local Taxes	39,982	42,134	42,134	42,134	42,134	42,134
Payment In Lieu of Taxes	141,103	141,103	114,696	114,696	45,331	45,331
Open Enrollment In	1,317,628	1,446,304	1,446,304	1,446,304	1,446,304	1,446,304
Funded FTE	226.86	250.11	250.11	250.11	250.11	250.11
Tuition from Parents	3,283	3,485	0	0	0	0
Tuition from Other Districts	140,665	84,130	85,000	85,000	85,000	85,000
Student Fees	2,358	2,400	2,400	2,400	2,400	2,400
Interest Income	92,123	55,000	60,000	65,000	70,000	75,000
Miscellaneous	11,428	48,000	32,000	25,000	12,000	12,000
Total (1.060)	1,604,622	1,739,267	1,782,534	1,780,534	1,703,169	1,708,169

Other Financing Sources (2.040 & 2.050)

All advances over year-end are planned to be returned in the succeeding fiscal year. The District had advances from the Uniform School Supplies Fund projected through the life of the forecast, but that has changed, as the Uniform School Supplies Fund did not need an advance in FY2007 and hopefully won't require any advances in the future.

The Ohio Department of Education tightened up its cash disbursement policies for Federal Grants. Districts can no longer submit requests for cash for up to three months at a time. Requests can only be made monthly, and only for up to 10% of the particular grant's allocation without a documented reason. This makes it more difficult to project adequate cash needs, and in our case resulted in shortages at year-end that had to be corrected with additional advances from general fund in FY2003 that were advanced back to general fund in FY2004. The biggest advance came from the Lunchroom fund (\$51,985) because of a late Federal and State reimbursement that should have arrived prior to June 30, 2003. The same thing occurred at the end of FY2004, with advances of \$16,744 returned to the general fund in FY2005, and at the end of FY2006, with advances of \$170,101 returned to the general fund in FY2007, and again at the end of FY2007, with an advance of \$67,584 returned to the general fund in FY2008. FY2008 broke this trend, requiring no advance to be returned in FY2009. This forecast projects no advances returned during the five-year period.

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 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. Due to declining enrollments and lack of attrition, the District has had to invoke reduction in force measures in several years. 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. In order to keep the District out of the red in FY2012, a full wage freeze is shown. A modest increase of 1% is then used to cover the increases in personal services for the final three years of the forecast. The District's construction projects and the new OEBM Funding Model requirements will have some effect on personnel.

Grade configurations have changed with the opening of new school buildings. Sixth graders from all elementary schools have been combined with the seventh and eighth graders at the new Geneva Middle School, and the Geneva Platt R. Spencer Elementary School has 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. This move also helped the District realize some economy of scale by reducing the need for some staff. Additional reductions of 1.5 teachers between the Middle School and High School were made. It was estimated that 8 teachers would be subject to reduction along with one eight hour and one two hour Custodian I and a library aide. The total savings to the District calculated to approximately \$356,327 in salaries and \$211,667 in fringe benefits. These savings show mostly in FY2011 (approximately 81% of wages and 88% of fringes), but also in FY2012 (approximately 19% of wages and 12% of fringes). 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. Although the district recognizes the need for all-day, every-day Kindergarten, it is not specifically known when it will be implemented. For the purposes of this forecast, implementation is shown beginning with the 2012-2013 school year (in spite of the waiver), when construction of the final two elementary schools is to be complete, at a cost of approximately \$148,000 in salaries and \$82,776 in fringes for four new Kindergarten teachers. This additional cost is split between FY2014 (81 % of salaries and 88% of fringes) and FY2015 (19% of salaries and 12% of fringes). An additional reduction in force of roughly 2.5 teachers was made for FY2012, reducing another \$112,961 in salaries and \$51,596 in fringes showing in FY2012, and \$26,896 in salaries and \$7,426 in fringes in FY2013.

When American Recovery and Reinvestment Act, State Fiscal Stabilization Fund and Education Jobs Grant dollars are exhausted, it could have a severe impact on the District's five year forecast. Positions for six teachers and tutors paid under ARRA Title I and ARRA Part B-IDEA during FY2011 may have to be eliminated for FY2012, because the general fund won't be able to absorb them. In FY2013, in the absence of any additional federal bailout, nine teaching positions that were paid through SFSF and then Ed Jobs may also have to be eliminated. For this forecast, the SFSF jobs are left in while the ARRA jobs are not included.

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 has 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. A change in the way dental insurance is administered was made in January 2011, moving from fully-insured to self-insured. 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 shows a 10% employee contribution to insurance premiums beginning in FY2012, at a savings of \$274,808 per year. Any variance in these assumptions could have a material effect on this forecast. After the wage freeze shown in FY2012, an 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. Instead of adding personnel, the District will more than likely need to cut additional staff to stay in line with the decreased funding received from the State.

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. As noted in the assumption for All Other Revenues, 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 current budget when proposed said students would be funded where they were educated, so no money would come in and no money would go out. 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.

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Open Enrollment Out	939,382	822,613	822,613	822,613	822,613	822,613
Funded FTE Out	162.46	142.26	142	142	142	142

Expenditures in this category increased by 15%, 1.7%, 12.3%, 14.4%, 4.6%, 18.6%, and 9.5%, then decreased by 1.1% over the last eight years. The increases were attributable to increased utility costs, especially natural gas and electric, and the opening of an additional building. New buildings will bring increased utility costs even with the more efficient systems because of the addition of air conditioning and square footage to heat and cool. Based on the new High School's cost per square foot of \$2.01 for electric and gas, it originally was forecasted that an increase of \$71,419 would be added to purchased services when the new Middle School and Geneva Platt R. Spencer Elementary School open for FY2011, and another \$78,349 when the new Austinburg and Cork elementary schools open for FY2013. It now looks like the increased utilities will 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. Technology maintenance agreements have been greatly reduced in favor of in-house maintenance due to the skill level of the new Technology Director. The demolition of the old Junior High section led to a reduction in utilities. These two items helped allow the District to reduce total purchased service costs to \$3,408,095 for FY2010. FY2011 purchased services are approaching \$3,640,480. 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. In order for the District to be in compliance with the percentage requirements for set asides established by HB412 or SB345, \$676,130 was expended from this category in FY2007. Supply expenditures for FY2008 climbed to \$822,069. 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. This year's supplies are creeping up toward \$799,765, for an average over the last four years of almost \$740,000. An effort needs to be made to at least keep it there.

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 had been pleasantly surprised by the unexpected availability of SchoolNet funds for the purchase of computer replacements in FY2002 and FY2004. This, along with the use of DPIA funds for technology purposes, kept the general fund expenditure down in this category. The District had no guarantee of funding beyond FY2005, so the general fund saw increased capital expenditures in FY2006.

The District has a bus replacement program in place that normally involves replacing three buses every year. Three buses were purchased in FY2008, but they were stock buses with 2007 engines, thus putting off a price increase because of new engine requirements. That entire expenditure was paid from the permanent improvement fund. The plan for FY2009

included purchasing only two buses and paying for them with PI funds. Three buses were purchased in FY2010, including one with a wheelchair lift, and again the expenditure was covered with PI funds. 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.

Computers and technology for the new high school were purchased in FY2006 to help meet the carry over requirement from the previous year's textbook and materials set aside. The forecast will call for \$175,000 in capital expenditures each year after FY2010. The District spent \$168,703 this past year. 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. General liability, fleet, and property insurance costs increased by 86% in FY2002 and by 29% in FY2003. FY2007 saw expenditures for flood damage at Memorial Field. Some FEMA reimbursements arrived in FY2007, while the remainder of FEMA and any OEMA came during FY2008, so adjustments were made to those two years. The original forecast looked for these expenditures to increase at about \$5,000 per year from the FY2010 figure. However, additional legislation allowing county auditors to recoup more costs led to an increase from \$211,855 in FY2010 to approximately \$237,776 in FY2011. This revision will hold this cost to \$237,800 for the four projected 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. With our athletic teams participating in the Premier Athletic Conference for the first time in FY2010, increased revenue helped to keep the 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. Along with a Band Field Trip transfer of \$2,946, the total transfer for the year was down to a twenty-one year low of \$55,243. The Athletics transfer will more than likely increase this year, and the Lunchroom balance has fallen well behind last year's pace. The original projection showed transfers of \$60,000 throughout the forecast. It appears that transfers may be necessary in the amounts of \$47,929.89 for Lunchroom, \$30,000 for Athletics, \$2,362.22 for Band, and \$25,000 for EMIS. Total transfers are then 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. The District only recorded \$45,253 in encumbrances for FY2004 because of a software conversion that didn't allow encumbrances to convert. An effort was made to expend encumbrances by fiscal year end or wait until the conversion was complete before processing orders for FY2005. Encumbrances at the end of FY2005 were \$123119, the end of FY2006, \$161,025, and the end of FY2007, \$302,071. Encumbrances at the end of FY2008 were at \$151,972, while FY2009 was only \$76,970. FY2010 encumbrances jumped back up to \$169,563. The number used for the forecast will be \$90,000.

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 the FY2001 forecast, the Board approved the assumption that no additional contributions would be made to the budget reserve. 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 HB412. 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. At times, these set asides are hurtful to the District, requiring that expenditures be made just to meet the level required. The implementation of the OEBM for funding has 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 will be 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 proposal does away with the requirement for a textbook and instructional materials set aside.

REVENUE FROM NEW LEVIES (13.010 & 13.020)

If this forecast were to hold true, the District would fall into a deficit fund balance for certification (line 10.010) by the end of FY2013. The trend of excess expenditures over revenues (line 6.010) has been downward, and all five years of the forecast show growing deficit spending. It is very difficult to project five years given what is known. The current biennium budget was far from adequate and represented a big change from previous funding formulas. 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 announced projected 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. Without additional increases in state funding in the future, and without any additional federal money when the current fiscal stabilization and Ed Jobs is over, it could become necessary to consider expenditure cuts (beyond what has already been cut) or additional levy revenue, or a combination of both, in order to eliminate the deficit. The District has already proactively instituted several cost-cutting measures. The District ranked about 118 of 612 districts in the state of Ohio in lowest expenditure per pupil, according to the FY2009 district profile reports on the ODE website. A new levy would have to be on the ballot sometime during 2011, and this is added to line 13.020. Calculation of this levy amount assumes no increase in the 2010 valuation of \$361,867,310 as a result of the triennial update in 2011 per the note under Property Taxes. This levy would have to pass no later than the November 2011 election in order to be collected in calendar year 2012. Only half the collections of a new levy are shown in the first year, because the beginning of the calendar year is the second half of the fiscal year.