GENEVA AREA CITY SCHOOLS
FIVE YEAR FORECAST ASSUMPTIONS
FORECASTED FISCAL YEARS ENDING JUNE 30, 2013 THROUGH 2017
Board Approved 10/17/12

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.

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 (FY2012) showed a 1.00% decrease, while the previous three fiscal years (FY2011, FY2010, FY2009) after the 2008 reappraisal showed 4.44%, 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 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, .5% for FY2016, and .5% for FY2017.

The Board voted to put an emergency operating levy on the ballot in November 2011, which failed 62% to 38%. The Board put another emergency operating levy on the ballot in August 2012, which failed 60.5% to 39.5%. The Board has not made any plans to be on the ballot this November.

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 current biennial budget legislation) contained Governor Kasich's proposal to do away with the reimbursements, phasing them out completely in two years for most districts. 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)

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. 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 phased 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 October No. 1 Foundation Settlement for FY2013. Subsequent years anticipate an increase of $100,000 per year, but that could be optimistic.

- Preschool Special Education Unit funding reflects the October No. 1 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 October No. 1 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.

- A Career Technical amount is shown as restricted aid after being deducted from regular Foundation funding. The state continues to show this as an amount equal to the FY2011 allocation, even though it was originally thought that the amount would decrease because the Career-Based Intervention (CBI) program was cut in half 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.

A note on possible casino revenue. A portion of the taxes paid by casinos is to be allocated to school districts as enumerated in a constitutional amendment to be used to support primary and secondary education. While the amount of money that is estimated to be allocated to each district is not insubstantial, it is also not enough in most cases to make a significant difference in financial planning. No casino revenue is shown on this forecast for three reasons:

1. There are no really good estimates available showing an accurate per pupil dollar amount.
2. While casino allocations are intended to supplement current state aid, it is not known if it will be supplanted.
3. Projecting a $100,000 increase in state aid and additional casino revenue could be risky.

The table below shows projected numbers based on the October No. 1 Foundation Settlement and Bridge Worksheet:

	FY2013	FY2014	FY2015	FY2016	FY2017
Formula ADM	2,579.67	2,579.67	2,579.67	2,579.67	2,579.67
State Resources for Foundation	11,291,817	11,391,817	11,491,817	11,591,817	11,691,817
Preschool Unit Funding	82,900	82,900	82,900	82,900	82,900
Special Ed. Transportation	67,976	67,976	67,976	67,976	67,976
Special Ed. Home Instruct. Adj.	2,057	2,057	2,057	2,057	2,057
Prior Year SF3 Adj. & Other					
Total Unrestricted Aid (1.035)	11,444,750	11,544,750	11,644,750	11,744,750	11,844,750
Total Restricted Federal Aid (1.045)	142,034				
Total “Foundation Support”	11,579,374	11,544,750	11,644,750	11,744,750	11,844,750
Career Tech/Adult Ed.	34,551	34,551	34,551	34,551	34,551
Catastrophic Cost	36,852	36,852	36,852	36,852	36,852
Total Restricted Aid (1.040)	71,403	71,403	71,403	71,403	71,403

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 $941.573 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 subsequent 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, $693,655, 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 $551,621 being received during FY2012 and $142,034 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 was 13.58%, 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.

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. FY2011 showed $42,134, but only $40,259 was received in FY2012. 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 been increasing each year. The Board's Inter-District Open Enrollment policy has caps limiting the number of students entering the junior high and high school. FY2012 figures were $1,524,608 for 267.28 funded full-time equivalent students. This forecast is projecting an increase of three students for $1,540,056 throughout.

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 predominantly 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 lower rates. The District received only $25,862 in interest to the General Fund for FY2012, so this forecast is estimating interest at $25,000 for two years until increasing $2,500 per year as the economy recovers slowly.

Miscellaneous includes property rentals, donations, administrative fees for Auxiliary Services and gas tanks, and insurance proceeds. FY2012 reflects a one-time donation from Fairmount Minerals of $52,500 to be used for technology. With no large donations expected, this forecast shows $25,000 per year after FY2012.

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 was to 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 were to be received. The first payment of $100,000 was received within ten days after the signing of the Agreement, so the next payment wasn't expected until October 1, 2012. The District was recently informed that since SPIRE entered into an agreement with Andrews Osborne Academy for the small group of students attending SPIRE's academy, they wouldn't be using the high school until their academy numbers grow, so they won't be making any further payments. The money forecasted previously has been removed from the forecasted revenues.

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 $55,000 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:

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Other Local Taxes	40,259	40,000	39,500	39,000	38,500	38,000
Payment In Lieu of Taxes	114,696	114,696	45,331	45,331	0	0
Open Enrollment In	1,524,608	1,540,056	1,540,056	1,540,056	1,540,056	1,540,056
Funded FTE	267.28	270	270	270	270	270
Tuition from Parents	6,541	13,930	3,265	3,265	3,265	3,265
Tuition from Other Districts	161,110	125,000	125,000	125,000	125,000	125,000
Student Fees	2,309	2,300	2,300	2,300	2,300	2,300
Interest Income	25,862	25,000	25,000	27,500	30,000	32,500
Miscellaneous	66,598	25,000	25,000	25,000	25,000	25,000
SPIRE Rental Agreement	100,000	0	0	0	0	0
Pay to Participate	500	55,000	55,000	55,000	55,000	55,000
Total (1.060)	2,042,483	1,940,982	1,860,452	1,862,452	1,819,121	1,821,121

Transfers & Advances-In (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.

All Other Financing Sources (2.060)

This line item includes the sale of real and non-real property and refunds of prior-year expenditures.

The former Geneva Elementary property was sold by the Board to the city of Geneva for $161,593 after closing. The first payment of $40,093 was received in FY2012 at closing. Subsequent payments of $40,500 will be received for the next three years.

FY2012 included $23,935 from auctions at Austinburg and Cork Elementary schools. With all the new buildings open and no further auctions expected, only $3,000 per year will be projected for non-real property sales.

Refunds of prior-year expenditures fluctuate from year to year. The last five years showed a range from $20,200 to $82,549, so a five-year average of $45,068 will be used for this forecast.

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 was not implemented in order to prevent further staff reductions. This kept the additional cost of $230,776 per year out of the 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 in FY2012 and a deficit in FY2013, 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 FY2012. Reinstatement of a half-time library aide at the High School reduced FY2013 savings to $148,484 in salaries and $88,966 in fringes.

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. However, at the beginning of the 2012-2013 school year, a decision was made to put back three elementary teachers, one CBI teacher, and one PE teacher. Also, it was discovered that it was difficult to provide supervision for both the varsity and JV golf teams with one coach, so the girls and boys assistant golf coaches were reinstated. These actions will reduce the savings in FY2013 by $195,072 in salaries and $66,168 in fringes and for FY2014 by $223,198 in salaries and $74,079 in fringes.

For FY2013, a wage freeze was again negotiated with both unions, with the exception of the educational credit for teachers, which should add an additional $60,000 in salaries. No general increase is shown for FY2014. 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) which began in August 2011, at a savings of $190,877for eleven months. The employee contribution is actually the dollar equivalent of 8%.

FY2011 and FY2012 showed huge increases in medical claims expense. The District is now facing a situation where medical claims expense has been exceeding premiums paid, shrinking the required reserve. In order to continue to meet medical claims costs, a 15% increase ($369,456) was put in place effective 10/1/12, fully paid by the Board. The District also anticipates increasing the medical premium 10% in FY2014 (+$221,981) and 10% in FY2015 (+$244,179).

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

After the wage freeze shown in FY2013 and no increase in FY2014, 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.

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016
Open Enrollment Out	738,293	741,941	741,941	741,941	741,941	741,941
Funded FTE Out	129.43	130.07	130	130	130	130

Expenditure 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 was added for the opening of the new Austinburg and Cork elementary schools in FY2013.

The District experienced an uncharacteristically mild winter in FY2012 which led to decreased utility and snow removal costs. Throwing out the low number in FY2012, this forecast uses an average of the prior three years to establish $3,467,778 as the purchased services for FY2013, then applies a 2% increase for subsequent years. 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, library supplies/periodicals/magazines, maintenance supplies, 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 were added at GPS, the Middle School, Austinburg and Cork when the new buildings opened. Supplies were reduced over 11.8% from FY2009 to FY2010. The average over the last five years has been almost $740,000. An effort should be made to keep supplies at this number. 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 three 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 $53,643 in FY2012 and that was mostly through a donation. 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. 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 $238,000 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. This forecast does not project any advances to any funds per the note under Advances-In.

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 in decreasing the transfer. In FY2012 for the first time ever, no transfer was needed to Lunchroom, mainly because of no calamity days.

HB153 did away with additional EMIS funding by saying it was contained within regular state aid.

Transfers are projected to be $50,000 to Lunchroom, $35,000 to Athletics, and $3,000 to Band for a total of $88,000 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, $99,802 in FY2011, and $197,676 in FY2012. The number used for the forecast will be $150,000.

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%.

With SB345, the requirement for school districts to maintain a budget reserve was eliminated. 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 ten 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 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 after the budget is supposedly set. 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 fiscal stabilization and Ed Jobs ran out, it was 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.

With the defeat of a proposed emergency levy in November 2011 and August 2012, the Board made no plans to be on the ballot in November 2012. The effort will be to live with the cuts made and possibly make more cuts if needed. No new levies are shown on this forecast. It will be up to the Board to decide if a new levy will be planned for the future.