

SHELBY CITY SCHOOLS
Richland County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2009 through 2013

May 2009

REVENUES

Line 1.010 General Property Tax (Real Estate)

For the fiscal year 2009 General Property Tax based on actual receipts through April 30, 2009. Fiscal year 2010 is projected at approximately 4% less than the previous year based on the current economic and real-estate conditions. Fiscal Years 2011– 2013 include very small annual increases. Past history, re-appraisal and potential growth as the district reaches the 20 mill floor would argue for a less conservative approach, however the current fiscal year represents a 5% decrease from last year, so for this forecast we have chosen to keep these estimates low. The last reappraisal for Richland county property was tax year 2008, collectible in 2009. In 2013 An emergency levy representing approximately 4.3 mills and generating \$950,000 expires in the last half of Fiscal 2013. Half of this amount has been deducted from line 1.101 and is shown below on line 11.020. The estimates include all property taxes and telephone personal property tax scheduled for settlement for fiscal year 2009 – 2013 and exclude the receipt of any advances against succeeding years' scheduled property tax settlements.

Line 1.020 Tangible Personal Property Tax

Our estimates for fiscal year 2009 are based on assessed values and input from the County Auditor's office as to anticipated collections. Tangible Personal Property Tax will be largely phased out by Fiscal 2010 the only receipts show in FY 2010 & 2011 are for delinquency collection.

Line 1.030 Income Tax

On May 3, 2005, the voters of the Shelby City School District authorized a one percent (1%) continuing income tax that became effective January 1, 2006. Collection is estimated based on the Ohio Department of Taxation's (ODT) Timeline for Receiving

School District Income Tax Payments dated January 19, 1997. When fully collected the income tax is estimated to generate approximately \$2,400,000. To date collection has averaged the ODT estimates, and the forecast reflects that calculation. Fiscal Year 2009 is based on actual receipts which were complete in April 2009 and were stronger than anticipated. It should be kept in mind that the April 2009 collection largely represents wages paid through December 31, 2009. We have projected Fiscal Year 2010-2013 conservatively given current economic conditions.

Lines 1.035 and 1.040 State Foundation, Unrestricted & Restricted

The current year is estimated based on the current State estimate as shown on the second April 2009 SF-3. The state and federal government have outlined plans for education reform and stimulus, however pending specific information on the dollar amounts of benefit to our district's general fund we have chosen to project state funding based on previous experience. We have incorporated a 3% increase in the state per pupil amount as in past years, and fully counted our projected kindergarten numbers (as opposed to the current practice of projecting 50% funding for kindergartners). This accounts for the increases in Fiscal Years 2010- 2013. It is our hope that state and federal plans will be fully funded and that our forecast can be revised accordingly in future year. This analysis assumes that enrollment will remain stable. Kindergarten enrollment was stable between 2008 – 2009 all day kindergarten is expected to have a small positive effect on enrollment.

Line 1.050 Property Tax Allocation

This line includes both reimbursement for Homestead and Rollback allowances on property taxes and reimbursement for the Tangible Personal Property (TPP) Tax lost due to the phase out of tax on personal property. The current forecast includes \$625,000 for homestead and rollback reimbursement, \$245,000 for an SF-3 error in FY 08 and \$651,000 for PPT reimbursement. PPT reimbursement is estimated based on Ohio Department of Education projections for 2009 – 2011. After 2011 the current reimbursement authorization will begin to phase out.

Line 1.060 All Other Revenues

Other Revenues include open enrollment, tuition, extracurricular transportation, property tax abatements, interest, student class fees, refund of prior year expenditures and other revenue. Projections include a decrease in fiscal 2009 as interest rates and abatements decline, then a continuing decline as existing abatements end.

Line 2.020

No new debt issues are projected for the period of 2009 -2013

Line 2.040 – 2.050

A transfer in of FEMA funds was received in FY 09. No other significant advances or transfers are anticipated.

Line 2.060 All Other Financing Sources

All other financing sources consists of sales of fixed assets, compensation for loss of assets and reimbursement for prior years expenses. In the past this has been a very small source of income. In August of 2007 the district experienced catastrophic flooding to the Middle School, Central School, the Football Stadium, the Gamble Street Technology Center and the Bus Garage, reimbursement for these losses is reflected in fiscal 2008 and to a small extent 2009 on the current forecast.

EXPENSES

Line 3.010 Personal Services

Fiscal year 2009 is calculated using current staff and salary levels. The overall increase in this line item from the previous year is 3% reflecting severance liability and the fact

that an unusually large number of retirees were paid off in June and not replaced until September. In fiscal year 2010 a 2% increase to the base was calculated with steps for the current staff, and an additional 3.5 positions were added to allow for all day kindergarten. These plans have not changed, actual 2009 payroll has been a bit lower than expected through April and the forecast for the year has been adjusted accordingly. For FY 2011-13 Salary cost was estimated based on a 2% increase to the base, and the additional staffing estimates for all day kindergarten were continued.

Line 3.020 Benefits

Fiscal Year 2009 is projected based on experience through April 2009. Fiscal year 2010 is projected at a 5% overall increase to allow for modestly increased health insurance costs. Five percent increases are projected in 2009 through 2011 with the additional benefits for 3.5 positions needed for all day kindergarten included. *No increases to the STRS or SERS rates have been specifically included in the forecast at this time.*

Line 3.030 Purchased Services

Purchased Services, which include special education and other student services as well as utility costs, are estimated for 2009 based on experience and current contract expenses. A 6% increase is projected in fiscal year 2010, based on projected service and utility costs, then similar annual increases in the following years as our responsibility for special needs students continues.

Line 3.040 Supplies & Materials

Supply and material costs are projected as indicated for fiscal 2009 – 2013. Set-aside amounts for textbooks and materials are \$324,000 in fiscal 2009. The district expects to meet its' set-aside requirements in fiscal 2009 – 2013 with minimal or no carryover from year to year.

Line 3.050 Capital Outlay

During the district's fiscal crisis capital expenditures were kept to an absolute minimum. As a result of the flooding in August 2007, a significant increase was seen in this area in Fiscal 2008 and carries forward to some degree in 2009 moderating over time.

Line 4.020 Principal Notes

Note repayment represents debt service requirements for a \$1,000,000 income tax anticipation note issued during July 2005 at 4.35% for five years.

Line 4.030 Principal State Loans

This represents repayment of an overpayment from the State of Ohio involving the Copperweld Bankruptcy. The overpayment was scheduled for interest free re-payment beginning in July 2006 and ending in June 2009.

Line 4.050 Principal – HB 264 Loans

This is a repayment of a loan for energy conservation related renovations to district buildings. The original loan was taken out in 1998 for \$1,600,000 at 5.10% for a term of fifteen years. The district pays \$105,000 in principal plus interest each year, our last payment will be in June 2013.

Line 4.050

Debt Service Principal – HB 264 Loans consist of a \$1,600,000 energy conservation loan issued in 1998. Final interest and principal payment will be during June 2013.

Line 4.060

Interest and principal is based on current debt service schedules.

Line 4.300

Other objects include fees associated with collection of real estate and income taxes, audit, county office and other items. Costs are projected to remain stable, increasing very slightly in the coming years.

Line 5.010 & Line 5.020

No significant transfers or advances out are estimated for fiscal years 2009 through 2013.

Line 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.

Line 9.060 Property Tax Advances

No advances are anticipated.

Line 9.070 Bus Purchases

Bus purchase reserves are projected to grow slowly through foundation grants, with a bus purchased when funds are available.

11.020 Property Tax Renewal

Renewal of the emergency levy mentioned above is included for FY 2013

Lines 20.010 -.025 ADM Forecasts

The forecast was prepared prior to completion of the October count; preliminary estimates indicate a drop of approximately 23 students. An increase in the number of kindergartners is forecast for 2009 based on availability of all day kindergarten.

