

SHELBY CITY SCHOOLS
Richland County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2010 through 2014

May 2010

REVENUES

Line 1.010 General Property Tax (Real Estate)

For the fiscal year 2010 General Property Tax is based on actual receipts through April 30, 2010. Fiscal year 2011 is projected 9% lower than the previous year based on the tax budget and current economic and real-estate conditions. Fiscal Years 2012– 2014 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 2009 fiscal year represents a 5% decrease from 2008, so for this forecast we have chosen to keep these estimates low. The next reappraisal for Richland county property will be in calendar year 2011, collectible in 2012. An emergency levy representing approximately 4.3 mills and generating \$950,000 expires in the last half of Fiscal 2013. 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 2010 – 2014 and exclude the receipt of any advances against succeeding years' scheduled property tax settlements.

Line 1.020 Tangible Personal Property Tax

Tangible Personal Property Tax is largely phased out by Fiscal 2010 minimal receipts for collection of delinquencies are shown in FY 2010 & 2011.

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

exceeded the ODT estimates, and the forecast reflects that calculation. Fiscal Year 2010 represents a decrease of 9% . We have projected Fiscal Year 2011-2014 conservatively given current economic conditions and recent guidance from the Ohio Department of Taxation.

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 September 2009 SF-3 and various simulations circulated by the State of Ohio. A 10% decrease is projected for next fiscal year. Small increases in foundation funding are shown in Fiscal Years 2011-2014.

Restricted State Grants shown on line 1.040 include Career Tech, Poverty Based Assistance, Bus Reimbursement and correction as in previous years.

Line 1.045

State Foundation Supplemental Funds are projected based on the current SF-3. The funds are 'guaranteed' for two years, accordingly we have projected this source of funding to end with fiscal year 2011.

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 \$700,000 for homestead and rollback reimbursement, \$366,000 for an SF-3 error in FY 08 and \$1,282,344 for PPT reimbursement. PPT reimbursement is estimated based on Ohio Department of Education projections for 2009 – 2011. We have assumed that these reimbursements will begin to phase out through the end of the forecast period.

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 significant decrease in fiscal 2010 as interest rates and abatements decline, then a stabilization.

Line 2.020

No new debt issues are projected for the period of 2010 -2014

Line 2.040 – 2.050

A transfer in of FEMA funds was received in FY 10. 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 2010 is calculated using current staff and salary levels. The overall increase in this line item from the previous year is very small - 1% - reflecting severance liability much reduced from the previous year. In fiscal year 2011 a 2% increase to the base was calculated with steps for the current staff, with two fewer positions. For FY 2011 Salary cost was estimated based on a 2% increase to the base, and the additional staffing estimates for all day kindergarten were continued. Fiscal years 2012 – 2014 are estimated based on no increases to base salaries beyond the current contracts and with no increases

or reductions in staffing levels. In doing this we assume that the current level of (non stimulus related) federal grant funds will be available to cover some contracted salaries.

Line 3.020 Benefits

Fiscal Year 2010 is projected based on experience through April 2010. In February the district moved from full self insurance to the Crawford Wyandot Consortium. Fiscal year 2011 is projected at a 1% overall increase to allow for modestly increased retirement costs,. Two percent increases are projected in 2012 through 2014. No increases to the STRS or SERS rates have been specifically included in the forecast at this time. The tentative plan is to make any necessary catch-up retirement payments on an extended plan.

Line 3.030 Purchased Services

Purchased Services, which include special education and other student services as well as utility costs, are estimated for 2010 based on experience and current contract expenses. A 7% increase from the prior year is projected in fiscal year 2010, based on projected service and utility costs, especially costs for special education services. Smaller annual increases in the following years are shown.

Line 3.040 Supplies & Materials

Supply and material costs are projected as indicated for fiscal 2010 – 2014. Set-aside amounts for textbooks and materials are \$326,000 in fiscal 2010. The district expects to meet its' set-aside requirements in fiscal 2010 – 2014 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 through fiscal 2010 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 are as shown. The increase in the number of kindergartners is partly based on availability of all day kindergarten.