

SHELBY CITY SCHOOLS
Richland County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2011 through 2015

October 14, 2010

REVENUES

Line 1.010 General Property Tax (Real Estate)

For the fiscal year 2011 General Property Tax is based on actual receipts in past years, the county auditor's certification and the tax budget. Fiscal year 2011 is projected 4% lower than the previous year based on the tax budget and current economic and real-estate conditions. Fiscal Year 2012 – 15 show very small increases in collections. Past history, re-appraisal and potential growth as the district reaches the 20 mill floor would argue for a less conservative approach. The 2010 fiscal year represents a 3% increase from 2009. For this forecast we have chosen to keep 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 for fiscal 2013,2014 & 2015. The estimates include all property taxes and telephone personal property tax scheduled for settlement for fiscal year 2011 – 2015 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 2011 minimal receipts for collection of delinquencies are shown in FY 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. Fiscal Year 2011 represents a decrease of 2% from the previous fiscal year. We have projected Fiscal Year 2011-2015 conservatively given current economic conditions and recent guidance from the Ohio Department of Taxation.

Lines 1.035 Foundation Stimulus Funding

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 small decrease is projected for next fiscal year then no change through 2015.

The 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 fiscal year 2011 will be set as part of the State's biennial budget for fiscal years 2012 and 2013. 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 revenues for fiscal years 2012 to 2015 are presented at a slightly decreased funding level as compared to fiscal year 2011. If the State decreases funding for schools in fiscal years 2012 and 2013 beyond the 2% shown in this forecast, and the same level continues through fiscal year 2015, the decrease will have a material effect on this forecast. A decrease in State funding equal to one percent of the School District's foundation revenue would decrease Unrestricted State Grants-in-Aid by \$72,638 for the current fiscal year and each fiscal year thereafter (or identify the amount for each fiscal year). The cumulative effect on fund balance in fiscal year 2015 is a decrease of \$290,552.

Line 1.045 State Foundation Stimulus Funding This line represents a two year cash flow from the federal government meant to supplement what was previously received fully from state funds. In fiscal 2011 it includes \$539,477 in direct stimulus funding and an additional \$323,583 in Education Jobs funding from the federal government. Both revenue streams end with the current fiscal year.

Line 1.040 Restricted State Grants shown These include Career Tech, Poverty Based Assistance, Bus Reimbursement as in previous years.

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 \$705,500 for homestead and rollback reimbursement and \$1,120,703 for PPT reimbursement. PPT reimbursement is estimated based on Ohio Department of Education projections for 2010– 2011. We have assumed that these reimbursements will begin to phase out in 2012-13 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 decrease in fiscal 2011 as interest rates and abatements decline, then a stabilization.

Line 2.020

No new debt issues are projected for the period of 2010 -2014. The debt related to the recently approved building project won't show up in the general fund.

Line 2.040 – 2.050

A transfer in of FEMA funds was received in FY 09 & 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 2011 is calculated using current staff and salary levels. The overall increase in this line item from the previous year is small ~ 3% - reflecting 2% increases for staff and a transfer of approximately \$133,000 in salary expense to federal stimulus grants.

Fiscal years 2012 – 2015 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 2011 is projected based on experience with a 5% decrease to health insurance costs. In February 2010 the district moved from full self insurance to the Crawford Wyandot Consortium, this has resulted in decreases in cost. Fiscal year 2012 is projected at a 1.5% overall increase to allow for modestly increased retirement costs as SERS and STRS move to collect payments on a current basis rather than a six month delay as in the past. No increase in health insurance is projected for the current year or fiscal 2011. Small increases are projected in 2013 through 2015. 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 2011 based on experience and current contract expenses. A 6% increase from the prior year is projected in fiscal year 2011, based on projected service and utility costs, especially costs for special education services. Annual increases in the following years are shown.

Line 3.040 Supplies & Materials

Supply and material costs are projected as indicated for fiscal 2011 – 2014. Set-aside amounts for textbooks and materials are estimated at \$326,000 in fiscal 2011. The district expects to meet its' set-aside requirements in fiscal 2013 – 2015 with minimal or no carryover from year to year.

Line 3.050 Capital Outlay

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 2011 moderating over time. This year and in the future, bus purchases and most capital purchases will be made through the Permanent Improvement fund which is not included in this forecast.

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

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 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 2011 through 2015.

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 be fully spent by the end of fiscal 2011.

11.020 Property Tax Renewal

Renewal of the emergency levy mentioned above is included for FY 2013. Our first opportunity to go on the ballot will be May 2011, last opportunity to pass without interrupting revenue November 2012.

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.

