

**SHELBY CITY SCHOOLS**  
**Richland County**

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

**October 17, 2011**

**REVENUES**

**Line 1.010 General Property Tax (Real Estate)**

For the fiscal year 2012 General Property Tax is based on actual receipts through October. Actual receipts have been consistent with the tax budget projections; 8% lower than the previous year. Fiscal Year 2013 – 15 show 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. For this forecast we have chosen to keep estimates low. The last reappraisal for Richland county property was 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 & 2016. The estimates include all property taxes 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 fully phased out by Fiscal 2012.

**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 an increase of 2% from the previous fiscal year. We have projected Fiscal Year 2012-2016 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 October 2011 Bridge Report and various simulations circulated by the State of Ohio. A small decrease is projected for next fiscal year, reflecting the loss of gifted funds and potential changes to the formula then no change through 2016.

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 budget, the level at which the State will fund schools is uncertain. State Foundation revenues for fiscal years 2012 to 2015 are presented at about the same funding level as fiscal year 2011. If the State decreases funding for schools in fiscal years 2012 and 2013 beyond the amount 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 \$73,575 for the current fiscal year and each fiscal year thereafter.

**Line 1.040 Restricted State Grants** are limited to Career Tech only for 2012 – 2016. Previously this line included Poverty Based Assistance and Bus Reimbursement.

**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 \$540,450 in direct stimulus funding and an additional \$444,600 in Education Jobs funding from the federal government (balance will be spent in the summer of 2011 to cover 2011 contracts. Both revenue streams end with the current fiscal year. The reduced amount shown if fiscal 2012 is a final cash distribution from the Ed Jobs fund made in July 2012.

### **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 and \$791,300 for TPP reimbursement. Last year the district received \$1,105,802 for TPP reimbursement. TPP reimbursement going forward is estimated based on Ohio Department of Education projections which call for a 50% phase out in fiscal 2013. When last fully collected in fiscal 2006 the TPP generated \$2,000,000.

**Line 1.060 All Other Revenues**

Other Revenues include open enrollment (\$273,200), Medicaid (\$60,000), tuition, extracurricular transportation, property tax abatements, interest, student class fees, refund of prior year expenditures and other revenue. Projections decrease as interest rates and abatements decline, then stabilize in fiscal 2014 and beyond.

**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 E Rate, 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 2012 is calculated using current staff and salary levels. The overall increase in this line item from the previous year is small ~ 1% - reflecting step increases only for certified staff, and attrition related reductions in the fall of 2012. Fiscal years 2013 – 2016 are estimated based on no increases to base salaries beyond the current contracts and with no changes in staffing levels beyond moderate attrition related reductions. 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 2012 is projected based on experience with a 2% increase 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 through fiscal 2011. Fiscal year 2012 is projected at a 1.5% overall increase to allow for the small increase in health insurance costs and 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. Small increases are projected in 2013 through 2016. No increases to the STRS or SERS rates have been 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 2012 based on experience and current contract expenses. A 3% increase from the prior year is projected in fiscal year 2012, based on projected service and utility costs, especially costs for special education services. Small annual increases in the following years are shown. It should be noted that significant costs in this category for utilities, fuel and special education services are difficult to predict or control.

### **Line 3.040 Supplies & Materials**

Supply and material costs are projected as indicated for fiscal 2012 – 2016. Set-aside amounts for textbooks and materials are estimated at \$326,000 in fiscal 2012. The requirement for specified appropriations for classroom supplies and materials was lifted

in fiscal 2012. The district expects to continue to set aside funds for this purpose to the extent possible in fiscal 2013-16.

**Line 3.050 Capital Outlay**

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. FY 2011 was the last year for this debt.

**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 made during June 2013

**Line 4.060**

Interest and principal based on the HB264 Loan.

**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. The issue is on the November 2011 ballot, 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.