

SHELBY CITY SCHOOLS
Richland County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2016 through 2020

November 2015

REVENUES

Line 1.010 General Property Tax (Real Estate)

For fiscal year 2016 General Property Tax is estimated based on actual receipts to date – and the county auditor’s estimates as expressed in the tax budget. Fiscal years 2017-20 are projected to be the same as the previous year based on the tax budget and current economic and real-estate conditions, including recent complaints for revision. An emergency levy representing approximately 4.3 mills and generating \$950,000 was renewed in November 2011. The Fiscal 2018 Real Estate Tax estimate is shown less half the renewal given on line 11.020, with the full amount transferred in Fiscal 2019. The last reappraisal for Richland county property was in calendar year 2011, collectible in 2012. A tri-annual update is anticipated in calendar year 2014 collectible in 2015. The estimates include all property taxes and telephone personal property tax scheduled for settlement for fiscal years 2015 – 2019 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 phased out by Fiscal 2013.

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. The income tax is estimated to generate approximately \$2,575,0500 annually.

Lines 1.035 Foundation / State Grants –in -Aid

The current year is estimated based on the current State estimate as shown on the first October 2015 Report and settlements to date. Fiscal Years 2017 – 2020 are estimated based on our current understanding of the Governor’s budget. The State funding for schools is based on several factors all of which are subject to

deliberations and approval of the Ohio General Assembly. This line also includes casino funding \$102,000 in 2014 and the same amount annually through 2020.

Line 1.040 Restricted State Grants This represents Career Tech and Economically Disadvantaged funds. The latter is newly separated from line 1.035 this year, thus the seeming increase in this line.

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. Cash flows from this source were phased out by fiscal 2013.

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 \$740,000 for homestead and rollback reimbursement and \$236,000 for PPT reimbursement along with small amounts for ODE corrections and Mobile Home tax. PPT reimbursement is estimated based on our current understanding of the state budget, to be phased out completely by FY 2017.

Line 1.060 All Other Revenues

Other Revenues include open enrollment, tuition, extracurricular transportation, Medicaid reimbursement property tax abatements, interest, student class fees, refund of prior year expenditures and other revenue. Projections include a decrease in fiscal 2016 as interest rates and abatements decline then a stabilization.

Line 2.020

No new debt issues are projected for the period of 2015 -2019. The debt related to building project doesn't show up in the general fund.

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 relatively small source of income.

EXPENSES

Line 3.010 Personal Services

Fiscal year 2016 is calculated using current staff and salary levels. Fiscal year 2017 and beyond is estimated based on recently approved contracts with the classified and certified staff through FY 2017. We assume that the current level of federal grant funds will be available to cover some contracted salaries. At this point we have not factored in any additional attrition or any changes to either salary or benefits other than those mentioned above. Both this line and line 3.020, Benefits are subject to collective bargaining.

Line 3.020 Benefits

Fiscal Year 2016 is projected based on experience including a 13.2% increase in health insurance costs beginning in December 2015. Fiscal Year 2016 projections include increases in health insurance and small decreases in STRS and SERS based on a slightly smaller staff count. No increases to the STRS or SERS rates or pick-up 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 2016 based on experience and current contract expenses. In Fiscal 2015 we have projected an increase of 8.6%. This is driven by several factors including a change in accounting for handicapped pre-school costs, increases to cover other service costs, and utility cost increases for opening the new building. Smaller annual increases in the following years are shown on the assumption that steps will be taken to make less expensive arrangements if costs of current suppliers continue to rise.

Line 3.040 Supplies & Materials

Supply and material costs are projected as indicated for fiscal 2016 – 2020. Set-aside requirements have ended for the forecast period, however spending has been increased to cover necessary classroom materials and technology.

Line 3.050 Capital Outlay

We have added additional funds in fiscal year 2016, 2018 and in 2020 to be used along with Permanent Improvement Funds as necessary to cover the purchase of a new busses.

Line 4.020 Principal Notes; None

Line 4.030 Principal State Loans; None

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 was made in 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 slightly in the coming years.

Line 5.010 & Line 5.020

No significant transfers or advances out are estimated for fiscal years 2016 through 2020.

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 9.030

A budget reserve has been established and stands at the amount shown on this line.

Line 9.060 Property Tax Advances

No advances are anticipated.

Lines 9.010 & 9.070 Bus Purchases

At this point, both Classroom Supply and Bus purchase reserves are fully spent by the end of fiscal 2015.

11.020 Property Tax Renewal or Replacement

The current Emergency levy will need to be renewed by the second half of calendar year 2017 (fiscal year 2018). The first opportunity to go on the ballot with this will be in the spring of calendar year 2016 (fiscal year 2016).

13.020 Property Tax – New

No new property tax is anticipated at this time.

Lines 20.010 -.015 ADM Forecasts

Average Daily Membership is projected to decline slightly over the forecast period.

SHELBY CITY SCHOOLS
Treasurer's Discussion & Analysis
September 2015/ October 19, 2015 Board Meeting

Financial items for action on this month's agenda include the regular statements and cash reconciliations for September and our proposed forecast and assumptions.

Cash Reconciliation:

The district's cash balance at the end of September was \$12,336,821.86, this compares with a cash balance of \$12,154,267.95 one year ago. The General Fund ending balance was \$7,246,760 equal to 4.6 months general fund operating expenses as estimated on enclosed draft forecast; above our threshold of 3.0 months operating expenses. At this time last year the ratio was 3.6 and the General Fund cash balance was \$5,869,861.

Cash Balances;

All our funds except for one federal grant (Title IIA) and food service were in the black at the end of September. The grant balance will move back into the black as cash requests come in. Food service should begin to receive federal subsidy later this month which will bring that fund back into the black.

Actual Results Compared to Forecast

The forecast was set in part based on actual results through September, so there's no variance to report. The SM-1 report that breaks the forecast down by month is included. Beginning next month we'll go back to our usual format.

In looking at prior years, our expenses are about the same as they were at this time in 2008, lower than they were in a few of the intervening years. Revenue is higher than last year or the year before at this point, but significantly less than it was in 2007 – 2009 – the same situation as last month. We have seen the first October payment from the state foundation and it appears to confirm our forecast assumption that revenue on line 1.035 will be improved going forward.

3.3 Forecast and Assumptions:

The assumptions explain our thoughts in developing the forecast and are an integral part of the document. They should be given the same careful reading as the actual forecast.

In prior years in this discussion we noted an overall theme of decreasing revenue, and expenses kept relatively stable by good management. Our situation improved significantly last year and should continue to do so this year. Revenue is projected to be \$19,437,000; up by \$477,297 largely due to an increase in anticipated State Foundation payments. At the same time expenses are expected to be \$18,565,000 up by \$1,054,730 with the increase distributed across all categories. When approved the forecast will be submitted to ODE and posted on their web site.

Appropriation Summary

Item 4.1

We've made a number of changes to our revenue estimates and budget appropriations, after not having adjusted them last month. Many were small adjustments which were made to bring accounts into balance or adjust for staff budgets. Some of the larger changes are noted below:

Revenue Adjustments

- \$ 195,600 increase to the General Fund; This and the \$1,275,075 increase to the budget appropriation were made to bring our books into agreement with the forecast.

- \$869,454 increase to the Classroom Facilities Program and the \$872,684 increase to Budget Appropriations were made to adjust the books for the completed closing of the OSFC project.
- \$190,922 increase to the Student Activity Accounts and the \$200,127 increase to the Budget Appropriations for that fund were made to adjust for budgets presented by activity advisors.

Budget Appropriations:

- \$584,000 increase to the Bond Retirement Fund is made to allow for interest and principal payments on the bonds for the new high school. The first payment is due later this month.
- \$398,795 increase to Fund 006 Food Service, is made to allow for routine spending for the year in this department. We expect to end the year in the black.

Personnel:

6.1 Step increases due to increased training will cost a total of \$4138/year in salary at this level

6.2 6.3 & 6.7 These contracts are for specialized personnel employed through MOESC/Renhill. Hours are limited so costs should not be significant.

New Business:

9.4 The emergency levy contributes approximately \$900,000 to our bottom line. This resolution will allow us to place it for renewal in March 2016, the earliest possible ballot. The issue is for 4.5 mills for a term of five years.

9.5 We have worked with the YMCA to develop a contract for the use of their pool for the next two years. The cost is an increase of \$900 from last year's charge of \$1600, but last year's contract included some payment for pool equipment and routine repairs.