WOOSTER CITY
SCHOOL DISTRICT

FIVE-YEAR FORECAST

Bonnie West, Treasurer

October 23, 2012

Wooster City School District

Wayne

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2010, 2011 and 2012 Actual;
Forecasted Fiscal Years Ending June 30, 2013 Through 2017

		Actual				Projected				
		Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Average Change	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
	Revenues									
1.010	General Property Tax (Real Estate)	$20,507,433	$22,860,205	$24,892,982	10.2%	$24,850,000	$24,850,000	$24,850,000	$24,850,000	$24,850,000
1.020	Tangible Personal Property Tax	162,749	56,750	154,255	53.3%	0	0	0	0	0
1.035	Unrestricted Grants-in-Aid	7,058,110	7,015,244	6,962,573	-0.7%	6,962,574	6,962,574	6,962,574	6,962,574	6,962,574
1.040	Restricted Grants-in-Aid	21,285	21,445	21,444	0.4%	21,444	21,444	21,444	21,444	21,444
1.045	Restricted Grants-in-Aid - SFSF Stimulus	467,958	577,259	380,484	-5.4%	0	0	0	0	0
1.050	Property Tax Allocation	9,375,979	9,503,223	9,033,377	-1.8%	8,250,150	7,521,150	6,792,150	6,063,150	5,334,150
1.060	All Other Revenues	1,361,512	1,405,988	1,368,699	0.3%	1,335,000	1,335,000	1,335,000	1,335,000	1,335,000
1.070	*Total Revenues*	38,955,026	41,440,114	42,813,814	4.8%	41,419,168	40,690,168	39,961,168	39,232,168	38,503,168
	Other Financing Sources									
2.010	Proceeds from Sale of Notes									
2.020	State Emergency Loans									
2.040	Operating Transfers-In		74,843							
2.050	Advances-In	164,300	763,350	427,975	160.3%	322,495	350,000	350,000	350,000	350,000
2.060	All Other Financing Sources	2,602	6,102	28,174	248.1%					
2.070	*Total Other Financing Sources*	166,902	844,295	456,149	179.9%	322,495	350,000	350,000	350,000	350,000
2.080	***Total Revenues and Other Financing Sources***	**39,121,928**	**42,284,409**	**43,269,963**	**5.2%**	**41,741,663**	**41,040,168**	**40,311,168**	**39,582,168**	**38,853,168**
	Expenditures									
3.010	Personnel Services	21,760,418	22,104,924	22,179,240	1.0%	21,700,000	21,625,000	21,950,000	22,300,000	22,650,000
3.020	Employees' Retirement/Insurance Benefits	8,837,896	8,803,452	9,326,000	2.8%	9,900,000	10,175,000	10,560,000	10,970,000	11,175,000
3.030	Purchased Services	5,692,553	5,281,746	5,198,722	-4.4%	5,510,000	5,648,000	5,790,000	5,930,000	6,075,000
3.040	Supplies and Materials	1,502,882	977,069	1,191,489	-6.5%	1,553,400	1,560,750	1,571,500	1,583,500	1,595,550
3.050	Capital Outlay	638,491	409,863	735,440	21.8%	404,000	500,000	500,000	500,000	500,000
3.060	Intergovernmental									
	Debt Service:									
4.010	Principal-All (Historical Only)									
4.020	Principal-Notes									
4.030	Principal-State Loans									
4.040	Principal-State Advancements									
4.050	Principal-HB 264 Loans	150,800	156,000	162,000	3.6%	167,000	172,000	178,000	184,000	189,000
4.055	Principal-Other									
4.060	Interest and Fiscal Charges (HB264 Loan)	57,000	52,836	49,156	-7.1%	44,000	39,000	33,000	27,000	22,000
4.300	Other Objects	551,989	616,709	645,371	8.2%	652,100	652,100	652,100	652,100	652,100
4.500	*Total Expenditures*	39,192,029	38,402,599	39,487,418	0.4%	39,930,500	40,371,850	41,234,600	42,146,600	42,858,650
	Other Financing Uses									
5.010	Operating Transfers-Out	64,725	75,000	75,000	7.9%	100,000	100,000	100,000	100,000	100,000
5.020	Advances-Out	763,350	427,975	322,495	-34.3%	330,500	350,000	350,000	350,000	350,000
5.030	All Other Financing Uses		335	0	0.0%					
5.040	*Total Other Financing Uses*	828,075	503,310	397,495	-30.1%	430,500	450,000	450,000	450,000	450,000
5.050	***Total Expenditures and Other Financing Uses***	**40,020,104**	**38,905,909**	**39,884,913**	**-0.1%**	**40,361,000**	**40,821,850**	**41,684,600**	**42,596,600**	**43,308,650**
6.010	***Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses***	**898,176-**	**3,378,500**	**3,385,050**	**-238.0%**	**1,380,663**	**218,318**	**-1,373,432**	**-3,014,432**	**-4,455,482**
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	17,382,479	16,484,303	19,862,803	7.7%	23,247,853	24,628,516	24,846,834	23,473,402	20,458,970
7.020	***Cash Balance June 30***	**16,484,303**	**19,862,803**	**23,247,853**	**18.8%**	**24,628,516**	**24,846,834**	**23,473,402**	**20,458,970**	**16,003,488**
8.010	*Estimated Encumbrances June 30*	643,817	828,756	1,016,071	25.7%	750,000	750,000	750,000	750,000	750,000
	Reservation of Fund Balance									
9.010	Textbooks & Instructional Materials		300,555							
9.020	Capital Improvements									
9.030	Budget Reserve									
9.040	DPIA / PBA	8,041								
9.050	Debt Service	408,201	404,865	399,209	-1.1%	395,000	395,000	395,000	395,000	395,000
9.060	Property Tax Advances									
9.070	Bus Purchases									
9.080	*Subtotal*	416,242	705,420	399,209	13.0%	395,000	395,000	395,000	395,000	395,000
10.010	*Fund Balance June 30 for Certification of Appropriations*	15,424,244	18,328,627	21,832,573	19.0%	23,483,516	23,701,834	22,328,402	19,313,970	14,858,488
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal				0.0%					
11.020	Property Tax - Renewal or Replacement				0.0%					
11.300	Cumulative Balance of Replacement/Renewal Levies	0	0	0	0.0%	0	0	0	0	0
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	15,424,244	18,328,627	21,832,573	19.0%	23,483,516	23,701,834	22,328,402	19,313,970	14,858,488
	Revenue from New Levies									
13.010	Income Tax - New				0.0%					
13.020	Property Tax - New				0.0%					
13.030	Cumulative Balance of New Levies	0	0	0	0.0%	0	0	0	0	0
14.010	Revenue from Future State Advancements				0.0%					
15.010	***Unreserved Fund Balance June 30***	**15,424,244**	**18,328,627**	**21,832,573**	**19.0%**	**23,483,516**	**23,701,834**	**22,328,402**	**19,313,970**	**14,858,488**

See accompanying summary of significant forecast assumptions and accounting policies
Includes: General fund, DPIA fund, PBA, and any portion of Debt Service fund related to General fund debt

Introduction

Section 5705.391 of the Ohio Revised Code requires that public school districts file a Five Year Forecast with the Ohio Department of Education once in October and then again in the form of an update in May of each fiscal year. Note that the fiscal year of the Wooster City School District is from July 1 through June 30.

This financial forecast reflects the cost of general operations typically recorded in the District's General Fund (001). It is within this General Fund that the majority of the District's tax dollars are received.

Other funds required to be included in this document include the State Fiscal Stabilization Fund (532), the Education Jobs Fund (504), Debt Service Fund (002) related to General Fund Debt, as well as the now defunct Poverty Based Assistance Fund (494).

The forecast includes three years of historical (FY2010 – FY2012) data, as well as a projection of the present fiscal year (FY2013) and four additional fiscal years (FY2014 – FY2017).

It is important to recognize the District manages a multitude of Local, State, and Federal funds that are not included as part of this projection. These excluded funds, totaling $16,293,705 for FY2013, are typically earmarked as grants or funds derived from sources separate from general operations and to be used for specific projects or initiatives. In the case of State and Federal grant funds, there are separate State reporting systems related to the management of those funds.

The forecast provides a good internal planning tool for the Board of Education and should be viewed as such. It is important for the reader to understand that this document, as presented, is based upon a set of circumstances and assumptions at a point in time certain. As time passes, new events and additional information will alter this outlook. When such changes are significant, an updated forecast will be prepared for review.

Users of the Five Year Forecast are encouraged to review the Notes to the Financial Forecast to aid in understanding the data. It is also recommended that users direct any questions about the attached information to the District Treasurer who can provide additional explanation.

Notes to the Financial Forecast

Revenue

Line 1.010 - General Property (Real Estate) -

Line 1.010 accounts for the receipt of property tax revenue as determined by the Wayne County Auditor and collected by the Wayne County Treasurer on behalf of the School District. This tax revenue is derived from the local millage rate as approved by majority vote of the local community. Once approved the resulting tax rate is then applied to the value of real estate of both homeowners and businesses.

Typically, Wooster City Schools has returned to its community every four years with a request for additional operating millage. Having passed an operating levy in March 2004, the District lengthened the typical levy cycle to six (6) years as it returned to the voters in May 2010. As that first attempt failed, the District returned to the ballot again in August 2010 and found success. The passage of the 6.5 mill continuing operating levy is scheduled to generate $4 million annually in new revenue. The District received the initial half year collection on the new millage in FY2011 and the first full year of collection in FY2012.

In FY2012, the depressed real estate market prompted the Ohio Department of Taxation to require a countywide reduction in valuation. Because of effective millage, older levies sustained no revenue reduction. However, due to the valuation reduction inside millage subsequently did not provide the minimal growth typically afforded the District. At this point, it is difficult to trend what used to be a small level of predictable growth. Therefore, estimates in future years allow for a flat revenue stream in this area based on FY2012 collections

Line 1.020 - Tangible Personal Property Tax –

Legislative action (HB66) called for the phase out of the Tangible Personal Property Tax beginning in FY2006. This funding source once provided as much as $8 Million in annual revenue to the District.

The Commercial Activity Tax (CAT) collected by the State of Ohio was the planned funding source for the Tangible Personal Property Fixed Rate payment which is paid to schools in an effort to replace the loss of tangible personal property tax revenue. This revenue stream is accounted for in line item (1.050) and discussed later in this document.

Line 1.035 - Unrestricted Grants-in-Aid –

Unrestricted Grants in Aid consists of basic per pupil state funding known as State Foundation.

In FY2010, the Ohio Department of Education released a new funding formula called the Ohio Evidenced Based Model (OEBM). The PASS form replaced the SF-3 as the standard report used to notify schools of their annual State funding allocation.

Due to State budgetary constraints, no school district realized a funding increase in excess of three-quarters of one percent as the OEBM was implemented during the biennium consisting of FY2010 and FY2011. This capped increase in funding was computed as a reduction percentage applied after each component of the evidence-based model was calculated.

In order to financially protect public schools from drastic state budget cuts, Ohio provided federal stimulus dollars to districts in FY2010 and FY2011 as the State's ability to fund agencies, including schools, at typical levels fell short during this period of national economic downturn. These stimulus dollars are earmarked as State Fiscal Stabilization Funds (SFSF) and are recorded on forecast Line 1.045 as Restricted Grants in Aid. For FY2012, another round of stimulus dollars in the form of Education Jobs funding in the amount of $380,484 replaced the SFSF funding. Other categories of stimulus funding tied to various federal grant programs were received by the District in FY2010 and FY2011. However, those grant funds are not subject to inclusion in this forecast model which primarily focuses on General Fund activity.

As the federal authorization for stimulus funding ended in FY2012, the State of Ohio indicated a financial inability to resume responsibility for school funding at pre-stimulus levels, thus causing an unfilled revenue gap for schools. Facing an $8 billion budget shortfall, the State approved a new biennium budget now in effect for FY2012 / FY2013 which has reduced state funding to the Wooster City School District in various categories. By FY2013, the School District is scheduled to experience an annual loss of approximately $500,000 of what was once State funding temporarily propped up in prior years with federal stimulus funding. This loss will equate to an estimated 7% reduction to the District's typical State Foundation allocation.

Included in the FY2012 State budget is the sunset of the Ohio Evidenced Based (funding) Model (OEBM) as instituted under former Governor Strickland. Current Governor Kasich has called for the creation of a new formula method for allocation of basic per pupil funding to school districts. During the current biennium years of FY2012 and FY2013 a temporary formula, referred to as the Bridge Formula, is in place while the Governor's office works on construction of a new funding model.

With the District’s designation by the State as “Excellent with Distinction”, the State awarded an additional per pupil subsidy to the District equal to $17 per student for FY12 and FY13. When applied to the estimated ADM of 3,794 this subsidy totals $64,498.

Given the temporary nature of the current funding formula and the unknown level of funding that a new formula may provide, future year estimates of state funding remain flat.

Line 1.040 - Restricted Grants-in-Aid –

Restricted Grants in Aid include elements of the State Foundation that are restricted for use according to guidelines established by the State.   In previous years, this category of school funding has included Poverty Based Assistance (PBA), State Bus Replacement funds, and Career Tech funding.

State Bus Replacement funds and Poverty Based Assistance (PBA) were eliminated in FY2010.

For FY2011 and years after, this line only includes revenue from Career Tech funding which is restricted for use in specific academic content areas as defined by the State of Ohio.

Line 1.045 - Restricted Grants-in-Aid – **State Fiscal Stabilization Funds (SFSF) -**

During the FY2010 / FY2011 State budget, Education was protected from drastic budget cuts as Ohio used federal stimulus dollars to maintain funding levels to schools.

Wooster received SFSF of $467,957 in FY2010 and $577,259 in FY2011. For FY2012, ED Jobs funding in the amount of $380,484 partially replaced the planned loss of SFSF funding for just one year.

There is no authorization to continue stimulus funding beyond FY2012. The end of stimulus funding will leave an unfilled revenue gap for schools. By FY2013, the School District is scheduled to experience an annual loss of approximately $500,000 of what was once State funding temporarily replaced with federal stimulus dollars. This loss will equate to an estimated 7% reduction to the District’s typical annual total State Foundation allocation.

Line 1.050 - Property Tax Allocation –

Property Tax Allocation currently accounts for two pieces of State reimbursement received by the School District. These are the (1) Homestead and Rollback Reimbursement and the (2) Tangible Personal Property Fixed Rate Payment.

The Homestead and Rollback Reimbursement compensates the District for the local taxpayer reduction of 10% on real estate and a 2.5% taxpayer reduction for owner occupied residency.

For budget year FY2011, this reimbursement was $2,650,023 as the District collected a half year of revenue on the new levy millage recently approved. In FY2012 this reimbursement increased to $2,909,497 as the first full year of collection on the new August 2010 levy millage occurred. FY2013 – FY2017 assumes continued collections each year at a stagnant level of $2,895,000.

The Tangible Personal Property Fixed Rate Payment, currently funded by the Commercial Activity Tax (CAT), was designed to provide temporary revenue replacement in lieu of the now defunct Tangible Personal Property Tax (HB66).

This reimbursement, when first implemented, provided annual revenue to the District in the amount of nearly $7 million which equated to 17% of the District's General Operating budget. The District ranked 23rd highest out of 614 public school districts as a high dollar recipient of this annual payment.

In 2009, HB1 postponed the gradual phase out of this replacement revenue until FY2014 as total elimination was scheduled to occur by FY2019. This decision came on the heels of bipartisan support to provide a permanent funding solution as opposed to proceeding with the phase out. However, Governor Strickland chose to issue a veto to maintain the funding just for the biennium. Given this evidence of support within the legislature, the potential for continued effort to a permanent solution by 2014 to ward off, in some degree, this scheduled loss of funding was deemed highly plausible at that point.

In 2011, under newly elected Governor Kasich, legislation later reversed the sentiment of the prior administration and called for the TPP reimbursement phase out to occur earlier than FY2014. This forecast incorporates the revised timeline of phase out for FY2012 and FY2013. Assumptions for FY2014 and years later include the continued phase out of this revenue source at an annual reduction of $729,000 each year with the belief that this funding line will be reduced to zero by FY2020.

Line 1.060 - All Other Revenue –

This line includes various miscellaneous revenue accounts such as investment income, student fees from parents, full day kindergarten tuition, tuition from other districts, pay-to-participate receipts, rental income of school facilities, open enrollment income, and Medicaid reimbursement.

Given the State's decision to only require and fund half day kindergarten attendance beginning in FY2012, coupled with decreased state funding, a sliding fee tuition scale has been implemented in an effort to provide some sustainability to Wooster's All Day Kindergarten program. The extra half day program will be continued for those parents that elect this tuition based format as an option.

When compared to earlier years of actual data, interest earnings are greatly depressed as attributed to the record low yields currently offered for investment of available cash.

Line 2.050 - Advances-In –

The FY2013 amount of $322,495 constitutes the repayment to the General Fund of temporary loans made to other funds at the end of FY2012 (see Line 5.020).

Temporary loans to other internal funds are sometimes necessary to meet the Ohio Revised Code requirement that all funds end the fiscal year with a positive cash balance.

The initial loans out to other funds are recorded in Line 5.020 as Advances Out with repayment recorded the following year in Line 2.050 as Advances In.

While it is difficult to predict the future needs of temporary loans to other funds, an estimate of $350,000 has been included for FY2014 – FY2017.

Line 2.060 - All Other Financing Sources –

Proceeds from the sale of obsolete equipment as well as the periodic write off of stale checks generally account for the small activity in this line.

For FY12, $26,958 represents a prior year refund related to property tax incorrectly assessed to the School District.

Expenditures

With the losses of State revenue in FY2012 and FY2013, the Board of Education implemented budget reductions totaling approximately $1 million for FY2012 and another round of additional reductions for FY2013 also totaling $1 million.

The specific cuts contained in the first phase of this reduction strategy were approved by the Board of Education for FY2012 and included the elimination of 16 staff positions with all but (3) three accomplished through attrition.

In preparation for the FY2013 school year, the District engaged in a Facility Reconfiguration Process that ultimately closed two elementary buildings identified as Lincoln Way and Wayne. The remaining four elementary buildings now house grades 1 thru 4, Edgewood Middle School houses grades 5 – 7, and Wooster High School houses grades 8 – 12. This reconfiguration is estimated to garner the district an estimated $500,000 of savings. The savings associated with staff retirement account for the remaining $500,000 of needed savings to meet the $1 million budget reduction target.

Line 3.010 - Personnel Services –

Three-year labor contracts with both employee units were renewed with effective dates of August 1, 2009 for certified teachers and October 1, 2009 for support staff.

Increases to the base salary schedule for the certified (teachers) unit and the classified (support staff) unit were negotiated and implemented as follows: FY2010 = 1%, FY2011 = 2% and FY2012 = 2%.

These contracts expired on July 31, 2012 and September 30, 2012, respectively. One-year employment agreements were subsequently negotiated thru July 31, 2013 and October 1, 2013 providing for 0% increase to the base salary schedule and allowing for step increases where applicable.

A wage freeze for administrative employees was implemented in FY2012 and remains in effect as of the date of this forecast.

Beginning in FY2014, an allowance for scheduled step increases are calculated for the balance of the forecast with no percentage increase applied to the base salary schedule for certified and support staff.

In reviewing expenditure activity of prior years, the District moved from a half day kindergarten format to an all day, every schedule in FY2010. This program expansion required the employment of 8 additional kindergarten teachers.

Also in FY2010, the District expanded special education services to meet the needs of deaf and autistic students. This required the District to employ additional teaching and paraprofessional staff to provide these services. These staff costs were initially funded with federal grant dollars awarded to the District through the federal government's stimulus package specifically earmarked for special education services. In addition, some current expenses in the General Fund were also able to be transferred (i.e. supplanted) to federal stimulus grant funds, thus preserving resources in the General Fund.

This grant funding tied to federal stimulus dollars was scheduled to be available for two years, FY2010 and FY2011. In FY2012, those personnel expenditures (salary and benefits) returned to the General Fund absent the availability of other resources.

With the defeat of the May 2010 6.5 mill levy, $803,000 of budget reductions were incorporated into the FY2011 forecast based on Board approved staff and programmatic reductions. Those reductions are reflected across applicable salary, benefit, and purchased service lines.

Line 3.020 - Employees Retirement/Health Benefits –

This line includes expenditures related to employee benefits including retirement and funding of employee health benefits.

Wooster City School employees participate in the Ohio State Teachers Retirement System (STRS) and in the Ohio School Employees Retirement System (SERS). This is not an optional system but is a requirement of State law. The employer is required to contribute 14% of annual employee salary to the applicable retirement system. Each employee is required to contribute 10% of their salary through payroll deduction.

Current labor agreements provide for various levels of employer pick up of the employee 10% share. This benefit was established during prior contracts in lieu of increases to the base salary schedule.

For the balance of the forecast, increases in retirement benefit obligation are directly tied to estimated salary increases.

With respect to employee health insurance, Wooster City Schools currently manages a self-insurance fund for medical, prescription, and dental benefits. Effective January 1, 2013, the District will transition its employee health benefit plan to the Stark County Schools Council of Governments. The Stark County COG has a proven track record of providing quality employee benefits while containing annual premium increases. Future estimates of premium increase are set at 6% annually.

Line 3.030 - Purchased Services –

Fiscal years 2013-2017 include varying increases among a multitude of purchased services accounts in the General Fund. This line accounts for items such as utilities, legal fees, tuition paid to other districts, excess costs for students, open enrollment tuition, mileage and travel reimbursement, property insurance, and data site acquisition services.

Line 3.040 - Supplies and Materials –

Budget for FY2013 - FY2017 provides for the typical allocations of supplies and materials to each school building and department within the District. Starting in FY2010 an annual cycle of curriculum and textbook replacement was planned to occur through the balance of the forecast. The cost of this initiative is currently estimated at an average of $500,000 per year.

Expenditures in this category for FY2011 were lower than usual due to outstanding encumbrances as well as $300,000 of budget (Line 9.020) carried forward and reallocated in FY2012 for purchase of additional technology equipment to support future curriculum replacement and state testing requirements.

Line 3.050 - Capital Outlay - New and Replacement –

Capital outlay generally includes a small budget for replacement of educational equipment in addition to various capital projects as they are planned throughout the District.

<u>Traffic & Parking Lot Reconfiguration</u>
Capital improvement expenditures for traffic & parking lot reconfigurations took place at several buildings in FY2008 with the balance of that effort paid in FY2009. A reconfiguration of the Wayne Elementary traffic pattern occurred in 2010 and was funded primarily from the Permanent Improvement Fund instead of the General Fund.

<u>Technology Replacement</u>
In FY2007, a $1 million lease purchase of computer technology was made to replace outdated systems located throughout the District. Beginning with FY2010, an allocation of $250,000 per year has been committed to allow for routine replacement and upgrade of technology.

<u>Bus Replacement</u>
Also during FY2010, the implementation of All-Day Every Day Kindergarten necessitated the purchase of 3 new and 2 replacement school busses from the Capital Outlay line at a cost of $311,000 to the General Fund.

Overall, Capital Outlay shows an increase during FY2012. This is the result of a carry forward of prior year Supply and Material budget reallocated for purchase of additional technology to support future curriculum and state testing requirements.

For FY2013 – FY2017, the Capital Outlay line includes the $250,000 technology replacement budget and the purchase of 1 replacement school bus per year. (A second replacement bus purchase is planned annually from the Permanent Improvement fund which is not an included fund in this forecast.)

Line 4.050 - Principal - HB 264 Loans –

A HB264 project was approved in 2009 that provided for renovations to improve energy efficiency at targeted buildings throughout the District. Projected energy savings in future years are anticipated to cover the cost of the project.

This line represents the principal payments required over the next (10) years to pay off the note.

Line 4.060 - Interest and Fiscal Charges –

This line accounts for the interest payments on the HB 264 loan.

Line 4.300 - Other Objects –

Expenses accounted for in this line primarily consist of County Auditor and Treasurer Fees in addition to some miscellaneous dues and fees.

Line 5.010 - Operational Transfers-Out –

An annual transfer to the EMIS Fund 432 occurred during the years of FY2010 – FY2012 as the State required that all EMIS expenses, even though primarily funded by the General Fund (001), be accounted for in EMIS Fund 432. This requirement has been eliminated for FY2013 thus returning the associated expenses for EMIS activities back to the General Fund and removing the $75,000 transfer needed in prior years.

This line also provides a $100,000 contingency fund to cover unanticipated expenses not budgeted elsewhere in the General Fund. Should dollars from the contingency fund be necessary, budget is moved from this line to the appropriate cost center where the expenditure will ultimately be recorded.

Line 5.020 - Advances-Out –

An annual projection of $350,000 is for temporary loans anticipated to be made to other funds at the end of each fiscal year. Such temporary loans are necessary, particularly to State and Federal grant funds which often operate on a reimbursement basis, in order to close all funds at year end with a positive cash balance.

Subsequent repayment of Advances-Out is recorded the following year in Line 2.050 as an Advance-In.

Line 6.010 – Excess of Revenues over (under) Expenditures –

This category compares total revenues to total expenditures and measures the extent to which current operating expenditures are supported by current revenues.

A negative number in this line represents the extent to which current expenditures are not supported by current revenues, resulting in a degree of reliance on cash reserves to fund current operations.

Absent available cash reserves the District would need to consider reduction of expenditures or increase of revenue through passage of additional levy millage in order to balance the budget in a given year.

While the District recognizes, in light of expected future and further reduction of Tangible Personal Property Reimbursement, that further budget reduction measures may be necessary in FY2014 – F2017, this forecast does not include any assumptions as to the degree or type of reductions that may be required.

Line 8.010 - Encumbrances –

This category represents commitments against current year budget for authorized but unpaid purchase of goods and services. These commitments are in the form of approved purchase orders that will be paid in the next fiscal year after the District takes delivery of the order or is in receipt of the service.

Line 9.010 - Textbook and Instructional Materials Set Aside –

HB 412 was passed in the summer of 1998 and was a State mandated set-aside which required a 3% expenditure level in each year. If the District were unable to spend the required amount, the balance would be put aside as a reserve in a separate fund restricted to this category of future expenditure.

Effective with FY2012, this one aspect of the set aside requirement was discontinued.

Line 9.020 - Capital Improvements Set Aside –

HB 412 was passed in the summer of 1998 and was a State mandated set-aside which requires a 3% expenditure level in each year.

Qualifying expenditures include general fund expenditures used to enhance or improve, but not maintain assets, and permanent improvement funds generated to again enhance or improve assets. With the passage of the 1 mill permanent improvement levy in 1999 and the current qualifying accounts in the general fund, no additional reserves were required to meet the 3% requirement.

Line 9.030 - Budget Reserve Set Aside –

With the passage of S.B. 345 during FY 2001, the District has elected to no longer maintain the budget reserve previously required under HB 412.

Line 9.040 - DPIA / PBA –

This reserve has been established to account for the carry forward balance of the Poverty Based Assistance allocation at the close of each year.

The current State budget has discontinued funding in this line item. The District spent down the remaining FY2010 allocation of $8,041 during FY2011.

Line 9.050 - Debt Service –

This reserve was established to fund the HB 264 energy efficiency program. An annual transfer is planned each year from the General Fund to satisfy the Debt Service requirements for this project.

Line 15.010 - Unreserved Fund Balance –

The Unreserved Fund Balance of the District represents the cash balance that is free from encumbrances, reservations, or restrictions.

A school district is not permitted to begin a school year anticipating it will end the year with a negative cash balance. Should such a situation be expected, the District must take steps in advance to remedy the situation by increasing revenue or reducing expenditures.

With budgeted expenditures for FY2013 averaging $3.4 million per month, the projected unreserved cash balance at June 30, 2013 translates into an estimated six (6) months of operating cash on hand.

Conclusion

While the passage of the new 6.5 mill continuing levy in August 2010 brought with it a brief sense of renewed stability to the District's financial outlook, the legislative deliberations of the 129^{th} Ohio General Assembly that followed quickly and severely dampered that vision.

As a result, the School District responded immediately to formulate a budget reduction plan that requires annual decreases in expenditures to occur each future year at relatively the same rate as State revenue losses are expected.

Specific estimates of future revenue reductions have been incorporated into each year of the forecast. However, the resulting need for additional budget reductions necessary for implementation in FY2014 and beyond are not yet specifically identified or in any way included in this forecast. This is evident in Line 6.010 of the forecast as expenditures are scheduled to begin to outpace revenue by FY2015 if left unchecked. The District is actively monitoring and evaluating this situation.