

EAST GUERNSEY LOCAL SCHOOL DISTRICT -- GUERNSEY COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND FORECASTED OPERATING FUND

	Actual			Forecasted				
	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Revenue:								
1.010 General Property Tax (Real Estate)	1,739,850	1,757,697	1,983,278	2,013,612	2,041,724	2,060,775	2,130,738	2,185,908
1.020 Tangible Personal Property Tax	194,849	244,518	246,778	247,082	247,082	247,082	247,082	247,082
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	5,995,719	6,073,044	6,144,334	6,076,272	6,076,272	6,076,272	6,076,272	6,076,272
1.040 Restricted Grants-in-Aid	471,603	605,308	444,390	63,892	63,892	63,892	63,892	63,892
1.050 Property Tax Allocation	421,038	420,748	329,044	333,918	338,538	341,872	353,219	362,245
1.060 All Other Revenues	1,106,759	1,213,856	1,628,904	1,268,159	1,212,399	1,212,399	1,212,399	1,212,399
1.070 Total Revenues	9,929,818	10,315,171	10,776,728	10,002,935	9,979,907	10,002,293	10,083,602	10,147,798
Other Financing Sources:								
2.010 Proceeds from Sale of Notes	0	0	0	0	0	0	0	0
2.020 State Emergency Loans and Advancements	0	0	0	0	0	0	0	0
2.040 Operating Transfers-In	0	0	0	0	0	0	0	0
2.050 Advances-In	0	0	0	26,000	0	0	0	0
2.060 All Other Financing Sources	4,429	5,741	0	0	0	0	0	0
2.070 Total Other Financing Sources	4,429	5,741	0	26,000	0	0	0	0
2.080 Total Revenues and Other Financing Sources	9,934,247	10,320,912	10,776,728	10,028,935	9,979,907	10,002,293	10,083,602	10,147,798
Expenditures:								
3.010 Personal Services	5,080,914	4,957,680	4,706,881	4,507,758	4,463,142	4,547,693	4,627,514	4,708,736
3.020 Employees' Retirement/Insurance Benefits	2,227,561	2,249,531	2,408,185	2,701,133	2,915,173	3,254,767	3,642,393	4,086,396
3.030 Purchased Services	1,679,967	1,732,214	1,742,535	1,969,413	2,013,363	2,151,281	2,220,346	2,326,363
3.040 Supplies and Materials	339,760	558,317	437,900	451,037	564,568	581,505	498,950	513,919
3.050 Capital Outlay	33,996	113,344	58,241	299,197	138,964	233,133	150,127	248,631
3.060 Intergovernmental	0	0	0	0	0	0	0	0
Debt Service:								
4.010 Principal-All (History Only)	0	0	0	0	0	0	0	0
4.020 Principal-Notes	0	0	0	0	0	0	0	0
4.030 Principal-State Loans	0	0	0	0	0	0	0	0
4.040 Principal-State Advancements	0	0	0	0	0	0	0	0
4.050 Principal-HB 264 Loans	0	0	0	28,800	28,800	28,800	28,800	28,800
4.055 Principal-Other	0	0	0	0	0	0	0	0
4.060 Interest and Fiscal Charges	0	0	2,940	14,616	13,608	12,600	11,592	10,584
4.300 Other Objects	166,077	161,999	178,088	184,090	187,772	191,527	195,358	199,265
4.500 Total Expenditures	9,528,275	9,773,085	9,534,770	10,156,044	10,325,390	11,001,307	11,375,079	12,122,694
Other Financing Uses								
5.010 Operating Transfers-Out	37,704	73,732	312,000	0	0	0	0	0
5.020 Advances-Out	15,000	0	26,000	0	0	0	0	0
5.030 All Other Financing Uses	0	0	4,124	0	0	0	0	0
5.040 Total Other Financing Uses	52,704	73,732	342,124	0	0	0	0	0
5.050 Total Expenditures and Other Financing Uses	9,580,979	9,846,817	9,876,894	10,156,044	10,325,390	11,001,307	11,375,079	12,122,694
6.010 Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses	353,268	474,095	899,834	-127,109	-345,483	-999,014	-1,291,477	-1,974,896
7.010 Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies	1,633,049	1,986,317	2,460,412	3,360,246	3,233,137	2,887,655	1,888,641	597,164
7.020 Cash Balance June 30	1,986,317	2,460,412	3,360,246	3,233,137	2,887,655	1,888,641	597,164	-1,377,732
8.010 Estimated Encumbrances June 30	507,909	338,281	492,066	340,000	345,000	350,000	355,000	360,000
Reservation of Fund Balance								
9.010 Textbooks and Instructional Materials	0	0	0	0	0	0	0	0
9.020 Capital Improvements	0	0	0	0	0	0	0	0
9.030 Budget Reserve	0	0	0	0	0	0	0	0
9.040 DPIA	0	0	0	0	0	0	0	0
9.050 Debt Service	0	0	0	0	0	0	0	0
9.060 Property Tax Advances	0	0	0	0	0	0	0	0
9.070 Bus Purchases	0	0	0	0	0	0	0	0
9.080 Subtotal	0	0	0	0	0	0	0	0
10.010 Fund Balance June 30 for Certification of Appropriations	1,478,408	2,122,131	2,868,180	2,893,137	2,542,655	1,538,641	242,164	-1,737,732
Rev from Replacement/Renewal Levies								
11.010 Income Tax - Renewal	0	0	0	0	0	0	0	0
11.020 Property Tax - Renewal or Replacement	0	0	0	0	0	0	0	0
11.030 Cumulative Balance of Replacement/Renewal Levies	0	0	0	0	0	0	0	0
12.011 Fund Balance June 30 for Certification of Contracts, Salary and Other Obligations	1,478,408	2,122,131	2,868,180	2,893,137	2,542,655	1,538,641	242,164	-1,737,732
Revenue from New Levies								
13.010 Income Tax - New	0	0	0	0	0	0	0	0
13.020 Property Tax - New	0	0	0	0	0	0	0	0
13.030 Cumulative Balance of New Levies	0	0	0	0	0	0	0	0
14.010 Revenue from Future State Advancements	0	0	0	0	0	0	0	0
15.010 Unreserved Fund Balance June 30	1,478,408	2,122,131	2,868,180	2,893,137	2,542,655	1,538,641	242,164	-1,737,732
ADM Forecasts								
20.010 Kindergarten - October Count	0	0	0	0	0	0	0	0
20.015 Grades 1-12 - October Count	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081
20.02 Kindergarten - February Count	0	0	0	0	0	0	0	0
20.025 Grades 1-12 - February Count	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081

Five Year Financial Forecast for the
East Guernsey Local Board of Education:
Assumptions - FY13 Forecast – October 23, 2012

As with any financial forecast, the document accompanying these written assumptions is based on factors known as of this date, and/or as clarified in these assumptions. All forecasts include the inherent assumption that changes will occur over the time of the forecast, and that as these changes occur, the outcomes of the forecast will change as well. Factors that the Board of Education has no control over, and those factors they may control, will impact the figures reflected in the forecast.

The Board will monitor this forecast document on a regular basis. As required by law, the Board will submit a revised forecast document twice per year, in October and in April/May, and more often when deemed necessary. While school years (September-August) do not align exactly with fiscal years (July-June), calculations are made and presented on a fiscal year basis throughout these forecast assumptions. Fiscal years are reflected as FY13, which represents the year July 1, 2012 - June 30, 2013.

The following is a discussion of pertinent assumptions used in the development of the accompanying five year forecast for the East Guernsey Local School District, as adopted by the Board of Education on the date noted above. These assumptions represent Board position regarding forecast figures and anticipated changes to district revenues and expenditures.

Deficit Spending and Expenditure Reduction Plan

The Board of Education acknowledges that the East Guernsey Local School District projects deficit spending during every year of the forecasted period [see line 6.010] Deficit spending means that expenses exceed revenues. The three historical years of the forecast avoided deficit spending by implementation of expenditure reductions, including the reduction of staff and programs. A carry-over balance prevents deficit spending from resulting in a projected negative balance until FY17.

Implementation of expenditure reduction plans that spanned FY05-FY07 and FY11-FY13 resulted in deficit spending being eliminated in FY10, FY11 and FY12. However, the district will continue to operate during the five year forecast period with reduced programs and services as a result of these expenditure reductions. The Board of Education has taken a phased-in approach to eliminate anticipated deficits in order to maintain as many school programs as possible while at the same time trying to secure additional funding. (Emergency operating levy attempts in November 2010, August 2011 and November 2011 were not successful.) The Board recognizes that educational opportunities offered by the district contributed greatly to the district attaining and maintaining the State of Ohio rating of Effective in each of the last eleven years.

The Board will continue to monitor this forecast based on actual operating results to make every attempt to minimize future deficit spending. Future financial planning for the district will involve the Board of Education, members of the public, district administration and employees.

REVENUES

The East Guernsey Local School District relies heavily on state revenues to fund its general fund operations. In FY12, state and federal revenues made up 64% of all general fund revenues. These revenues are reflected under the discussions of lines 1.035, 1.040 and 1.050 below.

Real Estate Taxes [1.010]

Property tax revenue estimates are based on historical growth patterns, including scheduled updates and reappraisals, and are substantiated by the most recent information provided by the county auditor's office. During the most recent completed year, real estate tax receipts made up 18% of general fund operating revenues. Real estate taxes include property classed as residential, agricultural, commercial, industrial and mineral.

Real estate taxes are anticipated with a 1.0% growth rate in new construction in all years based on historical average increases and current trends, and a 1.0% increase in FY13/FY14 due to the triennial valuation update. (New values will be effective with collections starting in January 2013.) Reappraisal is calendar year 2015, and an increase of 4% is projected in FY16/FY17 for that reason. Estimates are based on recent market and economic downturns, district tax collection data, updates from the county auditor's office as well as data from the Ohio Department of Taxation.

Renewal or new levies would be reflected in a special section of the forecast; however, no new levies are included in this forecast, as none have been voter approved at this time.

Personal Property Taxes [1.020]

Personal property tax collections are public utility personal property payments. These tax revenues are estimated at FY12 levels throughout the projected period.

State Funding [1.035]

State funding for schools is based on several factors, all of which are subject to deliberations and approval of the Ohio General Assembly. The State legislature will have the opportunity to adjust the school funding formula two times during the forecast period, the first in July 2013 for FY14.

State funding is forecasted based on "bridge funding" for FY13. The "bridge" calculation is based on a payment of funds that is subject to statewide changes, and therefore could result in fluctuating funding amounts during the year. This forecast relies on funding amounts provided by the Governor's office for both years of the biennium, and using the Public Finance Resources, Inc, (PFR) simulations program for future years. Without a new ODE funding formula in place, this forecast projects level funding from the state for the forecasted years. Any change in ADM (average

daily membership of students) or participation in special education programming will directly impact this forecast.

Restricted Revenues [1.040]

Restricted revenues are state or federal funds that are received for specific uses by the funding source. These revenues are usually offset by specific expenditures in line with funding parameters. In 2009, Ohio was allocated State Fiscal Stabilization Funds (SFSF) from the American Recovery and Reinvestment Act (ARRA) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF was awarded for fiscal years 2010 and 2011. SFSF was not reauthorized or replaced; therefore, SFSF revenues are not included in the five-year forecast beyond fiscal year 2011. (SFSF funds are reflected in the historical portion of the Board's local forecast document on line 1.040, and reflected as Federal Stimulus Restricted Revenues [line 1.045] on the forecast document on the ODE website.)

In 2010 the Education Jobs Grant (EdJobs) was signed by the President to provide funds to save or create education jobs. East Guernsey received \$373,458 in FY12, which was used to offset current personnel costs. The decrease in this funding reflected in FY13 indicates no future ARRA or EdJobs funds. (EdJobs revenues are reflected on line 1.040 in the Board's local forecast document, and reflected as Federal Stimulus Restricted Revenues [line 1.045] on the forecast document on the ODE website.)

Funding for career technical and adult education (CTAE) continues to be reflected as a guarantee of the same amount as FY09. While one part time CTAE program was eliminated in FY12 and another has been eliminated for FY13, funding is assumed to continue (as verified by the Ohio Department of Education) as long as funds are expended for existing CTAE programs.

Property Tax Allocation [1.050]

The property tax allocation revenue for homestead and rollback reimbursements growth or decline is anticipated to match changes in tax revenues. In addition, state reimbursement for phase out of the tangible personal property (TPP) taxes was included in this line; however, this funding was eliminated after FY11, resulting in a decrease in revenues

Other Revenues [1.060]

Other revenues are projected below the FY12 level. The receipt of lease proceeds (for oil and gas mineral rights) in FY12 of \$344,740 represents one time revenue.

Changes in open enrollment ADM affect the forecast on this line. Open enrollment funding was slightly higher in FY12 than prior years, and future estimates are based on averages.

Casino revenues should begin to be distributed to schools beginning January 2013. Current estimates suggest that schools will receive an estimated \$21 per student in the first year, about \$22,000 for East Guernsey each year of the forecast period. While that per student amount should increase as more casinos are opened, this forecast does not project additional casino revenue under the assumption that increases in casino revenue may likely be offset by decreases to state funding.

In FY04 the district entered into an exclusivity agreement with Pepsi. Revenues from that 10 year agreement are reflected in this line (\$15,000 in FY09-FY13 and discontinued in FY14).

Pay to Participate (PtP) was instituted in FY07 as part of the district's expenditure reduction plan. Students are required to pay an established fee to participate in any extracurricular activity. The fees increased in FY13 per the Board's expenditure reduction plan, which should generate an additional \$35,000 per year. FY13 fees are \$300 per high school sport; \$150 per middle school sport; \$43 per high school student activity; \$53 per middle school student activity; marching band has been eliminated. The collection of those fees, along with receipts from Booster support groups, is expected to offset the cost of supplemental contracts and athletic director office costs. Changes to participation by students can impact this estimate.

Donations of \$40,000 received in FY12 for technology upgrades were reflected in this line, and are not anticipated in FY13.

Other changes that will affect the forecast revenues as a result of the expenditure reduction plan include the implementation of a trip surcharge for fleet maintenance for extra bus trips starting July 2012 and an increased rental schedule.

The return of an FY12 \$26,000 advance to the food service fund is anticipated in FY13.

EXPENDITURES

Personal Services (Employee Wages) [3.010]

The projected amounts for wages are based on current collective bargaining agreements, current personnel and funding levels, expenditure reduction actions for FY13 and by projecting negotiated pay increases as discussed. Related reductions or increases in benefits costs for these positions are reflected on line 3.020.

Projected figures for wages reflect historical staffing levels, except as discussed below. Collective bargaining agreements for FY12 and FY13 were approved in March 2011; those agreements include a 0% base increase for all employees. The current annual cost of experience steps of 1.3% is used to project salaries for the first year of this forecast, and is increased slightly in future years of the forecast due to the turnover of new staff for FY13. The Board of Education believes it to be fiscally prudent to forecast no base increases in future years of the forecast unless increased revenues or decreased expenditures are expected to offset the higher cost of any further base increases. It is understood that pay increases may be negotiated in future agreements, and they would be

incorporated at that time, as they are offset by increased revenues or expenditure reductions in personnel, benefits, or other expenses. Since wages and fringe benefits made up 75% of the general fund operating expenditures in FY12, future changes to employee compensation will have a significant impact on this forecast.

Eight positions were reduced for FY13: eliminating band, reducing vocal music, eliminating vocational agriculture and industrial arts programs, going from all day every day kindergarten to every other day, reducing talented/gifted and computer offerings and eliminating an elementary teacher. One retirement was not replaced, and seven positions were eliminated. In addition, four retirees were replaced with employees at a lower salary. These changes are anticipated to reduce wages the first year of implementation about \$390,000. Associated severance pay costs of about \$26,000 will offset the reduction during FY13.

Employee Retirement/Insurance Benefits [3.020]

The amounts for employee benefits are based on current collective bargaining agreements, and by projecting increases or decreases in costs related to those used for personnel changes under line 3.010. All such changes are represented across two fiscal years for implementation: generally 10/12ths in the first year and 2/12ths in the following year, since most employment contracts are Sept-Aug. The changes in benefits costs due to employee changes as discussed above for the first year is about \$155,000 less for reduced employees, offset by potential unemployment costs of about \$83,000 in FY13.

Generally, an average 15% increase in insurance benefits costs is anticipated. The actual increase for FY13 is 16.37%. Based on historical data, employees who may add insurance coverage during the December open enrollment period are anticipated to increase district insurance costs about \$49,000 a year. A significant changeover in bus drivers over the past 18 months will result in an increase in insurance costs of about \$37,000 each year of the forecast.

Purchased Services (Utilities, Other insurances, Purchased and professional services) [3.030]

Anticipated expenditures in the areas of purchased services are forecasted with an estimated 5% inflationary growth per year, and include utilities payments except that natural gas is anticipated to decrease about \$61,000 in FY13 due to a new purchasing agreement. Natural gas payments are made on a budget year of October-April, with true up settled in the following year.

Resurfacing of the campus parking areas at a cost of \$35,000 is included in FY15.

About \$15,000 of the donations received in FY12 for technology upgrades are reflected in this line for the installation of equipment.

Open enrollment costs for students leaving East Guernsey to attend other districts are also paid from this line. Those costs are anticipated to increase slightly over the forecast period.

Supplies and Materials (Textbooks, Instructional supplies, Maint/transp supplies) [3.040]

Anticipated expenditures in the areas of materials and supplies are forecasted with an estimated 3% inflationary growth per year. In order to reduce expenditures and address deficit spending, the district had only purchased one textbook adoption since FY04, paid for in FY11. Another purchase of textbooks for \$100,000 in each FY14 and FY15 are also anticipated, although the purchases of textbooks may need to be revised within the forecast period.

Capital Outlay (Computers, School Buses, other instructional/administrative equipment) [3.050]

Capital outlay is forecasted at a 3% inflationary increase per year. This district has determined that the purchase of three buses every two years (1.5 per year average) is necessary to maintain proper fleet status. The purchase of one bus in FY14 and FY16, and two buses in FY13, FY15 and FY17 makes the assumption the district will maintain that purchase cycle, except that no bus was ordered in FY10, and only one was purchased in each FY11 and FY12. (The FY12 bus will be paid for in FY13.) Buses are estimated at a cost of \$85-94,000 each during the forecast period.

About \$25,000 of the donations received in FY12 for technology upgrades were reflected in this line for the purchase of equipment, and are not anticipated in FY13.

Historically most technology capital outlay purchases have been funded by federal grants. Reductions to those grants will affect this forecast.

Debt Service [4.010-4.050]

The district began a House Bill 264 Energy Conservation (HB264) project in FY12, which is anticipated to reduce energy costs more than enough to offset the fifteen year debt repayment for the project. Debt payments have been added to the forecast to reflect the repayment schedule, which begins in June 2012 and concludes in 2026.

Current and future payments on the OSFC bond issue, Activity Complex bond issue and refunding bonds are made from separate tax collections in the debt retirement fund, continue through the year 2021 and are not a part of this forecast. Those funds are held in separate district accounts for those purposes only.

Other Expenditures (Tax collection fees; ESC payments; other dues, fees and misc) [4.500]

Expenditures in other areas anticipate a 2% inflationary growth, using FY12 as a reasonable base year. Increases also include additional costs of collecting property taxes as values rise, per the discussion under line 1.010.

Other Financing Uses (Advances and Transfers) [5.010-5.030]

In FY12, the District processed an advance of \$26,000 to the Food Service fund. No further transfers or advances are anticipated at the time of this forecast.

Encumbrances [8.010]

It is recognized that not all appropriated funds will be expended by year end, and that carryover encumbrances are a normal operating function each year. Therefore, the district projects a carryover encumbrance amount each year of the forecast period based on historical information and any impact by the assumptions discussed above. It is necessary to have sufficient cash balance to cover those encumbrances, and they are therefore considered to be part of any anticipated deficit.

HB 412 Expenditure/Set Aside Requirements [9.010-9.080]

The requirement for instructional supplies set-asides and expenditures was eliminated in 2011 as provided by House Bill 30. The district anticipates expending at least the minimum amounts in the Maintenance Set-asides requirements within each fiscal year, and therefore forecasts no set aside balances at the end of any year for these requirements. Maintenance set-asides should be adequately offset each year by carryover construction expenditures.

Carryover Balances

The Board has determined that it is prudent fiscal management to maintain a carryover balance equal to about 15% of general fund revenues each year. For FY13 that amount would be about \$1.5 million. While the FY13 - FY15 carryover balance is estimated to meet or exceed that amount, it is projected to swiftly and steadily erode in the following years due to deficit spending. The carryover balance is part of the calculation whenever levies or expenditure reduction plans are developed.

Significant Pending Issues

This section is used to discuss pending issues that the Board may not have enacted at this time, but must be considered when making decisions about the financial future of the East Guernsey Local School District. These issues would not be reflected in the forecast document amounts. While it is understood that there will be many such issues, this section is reserved for the discussion of issues that might have a significant impact on the forecast period.

No significant pending issues are identified at this time.