

SHAKER HEIGHTS BOARD OF EDUCATION
SHAKER HEIGHTS, OHIO

June 8, 2005

TO: Members, Shaker Heights Board of Education

FROM: Bryan C. Christman, Treasurer

SUBJECT: Financial and Miscellaneous Briefs

I. GENERAL FUND (As of May 31, 2005)

A. REVENUE

1. **Real Estate Taxes:**

\$3,367,833 or 7.0% more than taxes received as of May 2004. 99.0% of estimated real estate tax collections have been received to date. Last year at this time, we had received 99.4% of the estimated taxes. The increased collections are due to the new 9.6 mill operating levy, which began in January 2004.

As explained in my March 17, 2005 memo and as we discussed at the March 23rd Special Board Meeting, what appeared to be an increase in delinquencies, turned out to be a payment oversight by the County Treasurer's office. The public utility tangible tax, which is combined with real estate tax collections, was inadvertently excluded from the advance payment calculations, thereby resulting in county-wide underpayments for all school districts. We received a special payment to distribute such monies on March 28th, totaling \$1.3 million.

The budget shortfall for the fiscal year will approximate \$530,000, which primarily consists of the shortfall from the second half of 2004 collections of \$610,000.

2. **Personal Property Taxes:**

\$160,495 or 8.0% less than taxes received at this time last year. 87.9% of the estimated tangible tax has been received to date. Last year at this time, we had received 90.7% of the estimated taxes. The variance is due to a higher portion of the first half personal property taxes being received in the settlement in July this year, coupled with the new 9.6 mill operating levy, offset by a significant reduction in 2004 collections, primarily from one large taxpayer. Consequently, the actual revenues are about \$166,000 below budget.

Additionally, the exempt personal property tax received in December 2004 was \$27,200 less than the prior year due to the 2nd year of implementation of the ten-year phase-out in accordance with the provisions of House Bill No. 95, the state's biennial budget bill legislated in June 2003.

3. Investment Earnings:

\$390,529 received this year, which is \$130,556 or 50.2% more than received at this time last year. 133.7% of estimated interest income has been received to date. Last year at this time, we had received 65.0% of the estimated interest. Cash-basis interest income varies month-to-month and year-to-year due to the varying maturity dates of the investment portfolio. Consequently, the monthly variances may swing from positive to negative throughout the year.

As expected, the Federal Reserve raised targeted short-term interest rates a quarter point to 3.00% on May 3rd. The Federal Reserve is expected to again increase rates at its next meeting to be held at the end of June.

4. Other Local:

This category is below both prior year and budget due primarily to a delay in the receipt of the SF-14 tuition payment from the State. A non-timing factor contributing to the decline is a \$100,000 lower tuition settlement for the second half of 2004 as compared to the prior year.

5. State Sources:

State Foundation program receipts are \$787,999 or 6.4% more than those of one year ago. 95.8% of estimated Foundation receipts have been received to date compared to 90.8% for last year. It should be noted that the State Foundation payments are merely estimates until the ADM counts are finalized and adjusted starting in January, with final adjustments through May.

Other State Sources for the 2004 fiscal year-to-date include \$508,919 for reimbursement of fiscal 2003 special education catastrophic costs. The reimbursement in fiscal 2005 is not expected until June due to a different State timeline for processing such payments. This year's reimbursement rate will only be about 46% vs. the normal 100% in prior years due to a residual funding provision being applied by the State. This will result in a \$450,000 lesser reimbursement of the total \$860,000 submitted for fiscal year 2004 reimbursable catastrophic aid costs.

Other State Sources for the current and prior year-to-date amounts include two semi-annual public utility property tax reimbursements of \$388,468 in fiscal 2005 and \$388,739 in fiscal 2004 respectively, which as you may recall, is to help offset the reduction in real estate taxes collected due to the lower assessed value applied to the electric and natural gas industry properties.

6. Federal Sources:

Medicaid reimbursements total \$419,813 through the end of May, which represents 204.8% of estimated federal sources as compared to only 59.0% received through May 2004. The primary difference is due to the state's delay in processing in the last half of fiscal 2004, thereby resulting in delayed payments in excess of \$170,000 being received in the current fiscal year.

The latest efforts to save the CAFS reimbursement program for school districts involve a lawsuit filed by primarily the urban 21 school districts. Currently, under the terms of an extended Temporary Restraining Order (TRO), the process includes the negotiation with the Ohio Department of Jobs and Family Services to establish both a short-term and a long-term replacement program.

We have joined the lawsuit which will initially require a financial contribution of about \$5,000. Any further required contribution will be carefully evaluated before committing to continue with the case. Recent updates indicate that the situation is looking up and it is very possible a new school district reimbursement program will be in effect July 1st (possibly retroactively).

As of the date of this memo, a favorable final settlement is currently being circulated for approval by the plaintiff group.

7. Total Revenue:

\$3,625,034 or 5.3% more than the amount received during the prior fiscal year-to-date. 93.2% of estimated income has been received to date compared to 93.1% last year. The variance is primarily attributable to the increased tax collections.

B. EXPENDITURES

1. Salaries & Wages:

Payroll expenses as of May 31 represent a 2.8% increase over last year's payrolls for the same number of year-to-date pay dates. Payrolls averaged \$1,977,670 for the year-to-date vs. \$1,923,721 for the prior year. The rising average reflects the cumulative effect of the contractual increases that went into effect on January 1 and July 1, as well as the step increments that went into effect on September 1. Total salaries and wages are 3.1% above the prior year due to timing of other fund chargebacks.

Included in YTD salaries and wages expense are sick leave severance payments for YTD fiscal 2005 totaling \$521,682, which represent a \$229,401 or 78.5% increase over the prior YTD total of \$292,281.

2. Fringe Benefits:

Fringe benefit expenses are \$1,176,187 or 8.8% higher this fiscal YTD vs. the prior year, primarily due to a 17.3% YTD increase in recorded health insurance expense.

3. Utilities:

Utility payments are \$57,018 or 4.2% lower this fiscal YTD vs. the prior year due primarily to a natural gas payment holiday in September in this fiscal year resulting from the overpaid position at June 30, 2004, combined with higher electricity budget adjustments in F04 than in this year.

4. Out-of-District Tuition:

Out-of-district cash expenditures YTD are \$1,040,597 or 45.9% greater than the prior year, and are about \$154,000 above the current YTD budget estimate. A significant portion of the increased cash payments is due to a catch-up payment (\$453,287) to one school district covering two years of service. This payment was applied to the carryover encumbrance that was recorded as of June 30, 2004. Even with this available carryover encumbrance, we are expected to exceed the total expenditure budget for this line item for the year.

5. Total Expenditures:

On a cash basis, total expenses were \$3,487,409 or 5.2% more than the YTD expenditure level for the prior fiscal year. This represents 91.4% of the estimated fiscal 2005 expenses with 91.4% of the budget year elapsed. Last year at this time, we had spent 90.9% of estimated annual expenses. The cash basis budget to actual variance is a favorable \$9,868. This variance is attributed to timing differences in payments.

Besides the increase in salaries of \$1,303,000, the variance vs. the prior year is primarily due to the following:

- \$1,013,000 increase in total health insurance costs;
- \$119,000 increase in retirement expense;
- \$1,041,000 increase in out-of-district tuition payments;
- \$57,000 decrease in utility payments;
- \$50,000 decrease in other purchased service line items; and
- \$43,000 increase in materials and supplies.

The encumbrances (\$3,060,719 at May 31, 2005), which include \$1,794,554 for out-of-district tuition, are \$76,687 lower than the prior year, primarily attributable to a \$257,623 decrease in tuition encumbrances, partially offset by a \$127,359 increase in materials and supplies, and a \$9,450 decrease in all other purchased services. These differences are inversely related to the cash expenditure variances described above.

II. CONCLUSIONS

1. Cash balance reflects an increase of \$614,058 from that of one year ago. This is due to the \$0.5 million higher beginning-of-year balance, coupled with the \$0.1 million larger excess of revenue over expenditures for the current YTD vs. the prior YTD.
2. The \$1,827 cash deficit in Fund 020, Shaker Merchandise, is due to the purchase of merchandise for resale.
3. The following cash deficits are due to a timing delay in the receipt of federal fund cash requests from the State: Fund 460-\$2,272; Fund 590-\$2,924; and Fund 599-\$1,364.

III. OTHER ITEMS

1. **Depository Contracts:**

In accordance with Ohio Revised Code, the District must renew at least once every five years its contracts in order to be able to continue utilizing the various deposit accounts available at financial institutions. A resolution to award depository contracts is on the June 14th Board meeting agenda.

2. **Inside Millage:**

A recent Plain Dealer article (see copy attached) reported that the Westlake City School District had not been levying all of its allotted inside millage that it was entitled to since at least the early 1960's. Although the 0.1 mill was part of the District's inside millage (and thus not affected by House Bill No. 920 reduction factors), the value of such forgone amounts was in essence replaced by subsequent voter-approved operating levies.

I confirmed with the County Auditor's office that the full 10 inside mills are currently being levied in Shaker including the District's 4.1, the City of Shaker Heights 4.4 (the City also has 5.5 charter mills that are exempt from H.B. No. 920) and the County 1.5 (Metroparks 0.05 and the County 1.45). Additionally, information from the County Auditor's office specifically lists the District as being entitled to 4.1 inside mills.

With regards to the breakdown of the inside millage in the Cleveland portion of the Shaker School District, we know the District is still collecting its 4.1 inside mills, and the County is getting its 1.5 mills. The only unknown is whether or not the City of Cleveland is levying its full 4.4 inside mills. I will advise you when we receive confirmation from the County Auditor's office of this matter.

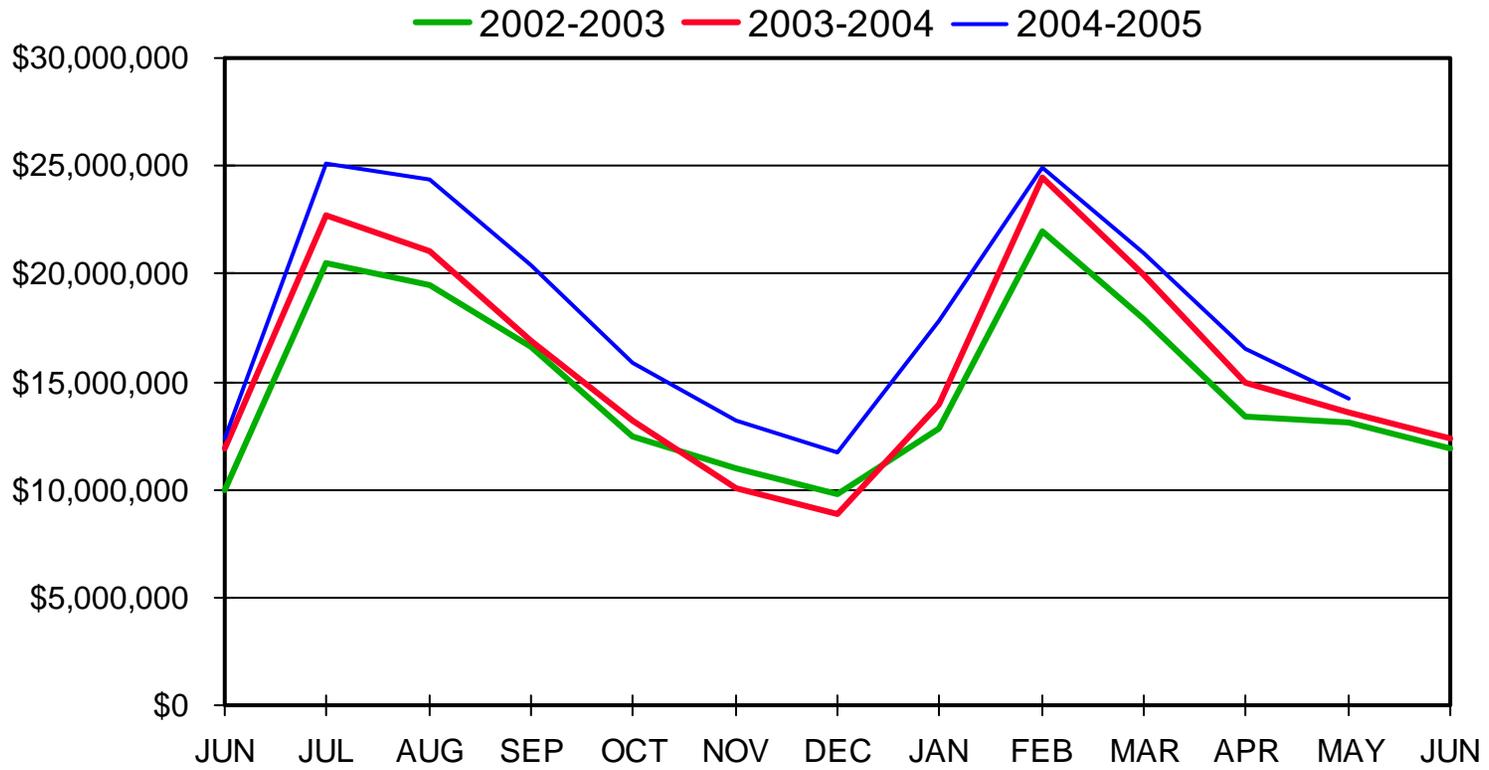
3. Cash Handling Procedures:

As you know there was a break-in and robbery at the High School in May (from which all of the money was retrieved and returned to the District). In order to prevent a recurrence, we have established the preliminary following plan of action:

- Issued a memo (see copy attached) to clarify existing policies and procedures regarding the handling of cash in the District (emphasizing the need for daily deposits);
- Allocating staff resources to evaluate, identify, and implement improvements with regards to cash handling procedures specifically at the High School and Middle School;
- Developing a schedule for periodic visits at the other District buildings to review, observe, and implement improvements to cash handling procedures; and
- Perform review and update existing written policies and procedures regarding cash handling procedures.

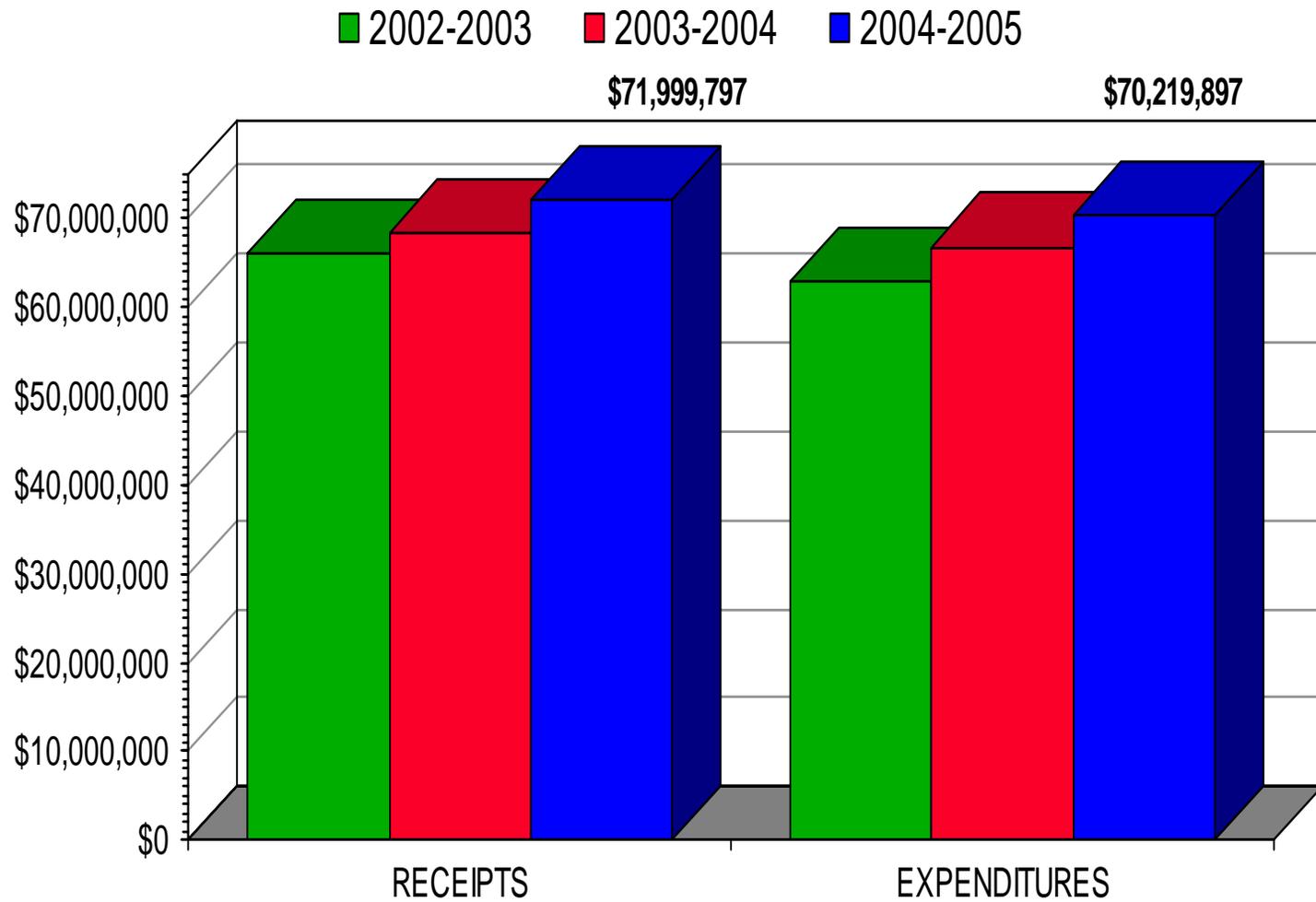
We will keep you posted on our progress in this undertaking.

SHAKER HEIGHTS BOARD OF EDUCATION



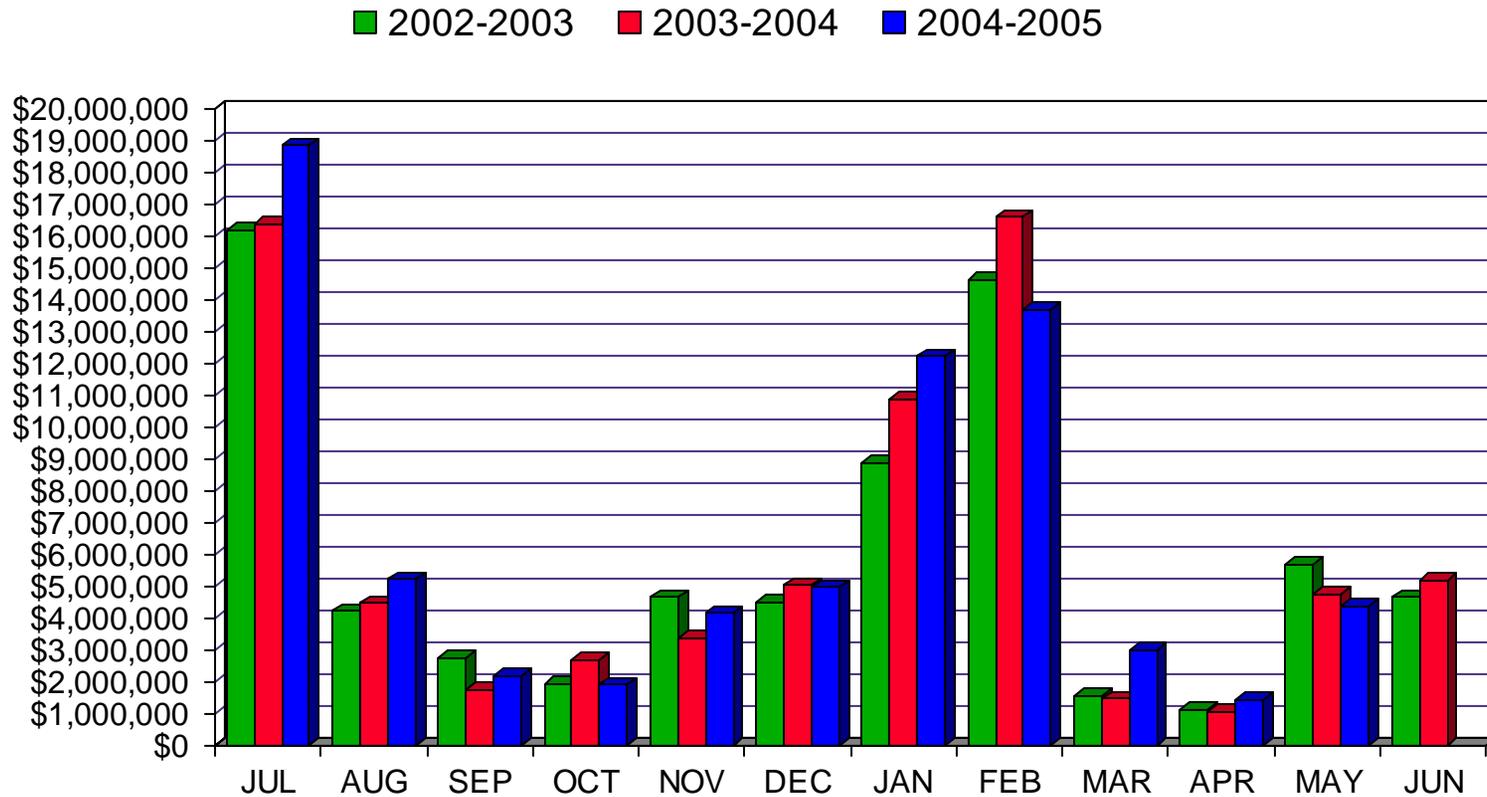
May 31, 2005

SHAKER HEIGHTS BOARD OF EDUCATION



May 31, 2005

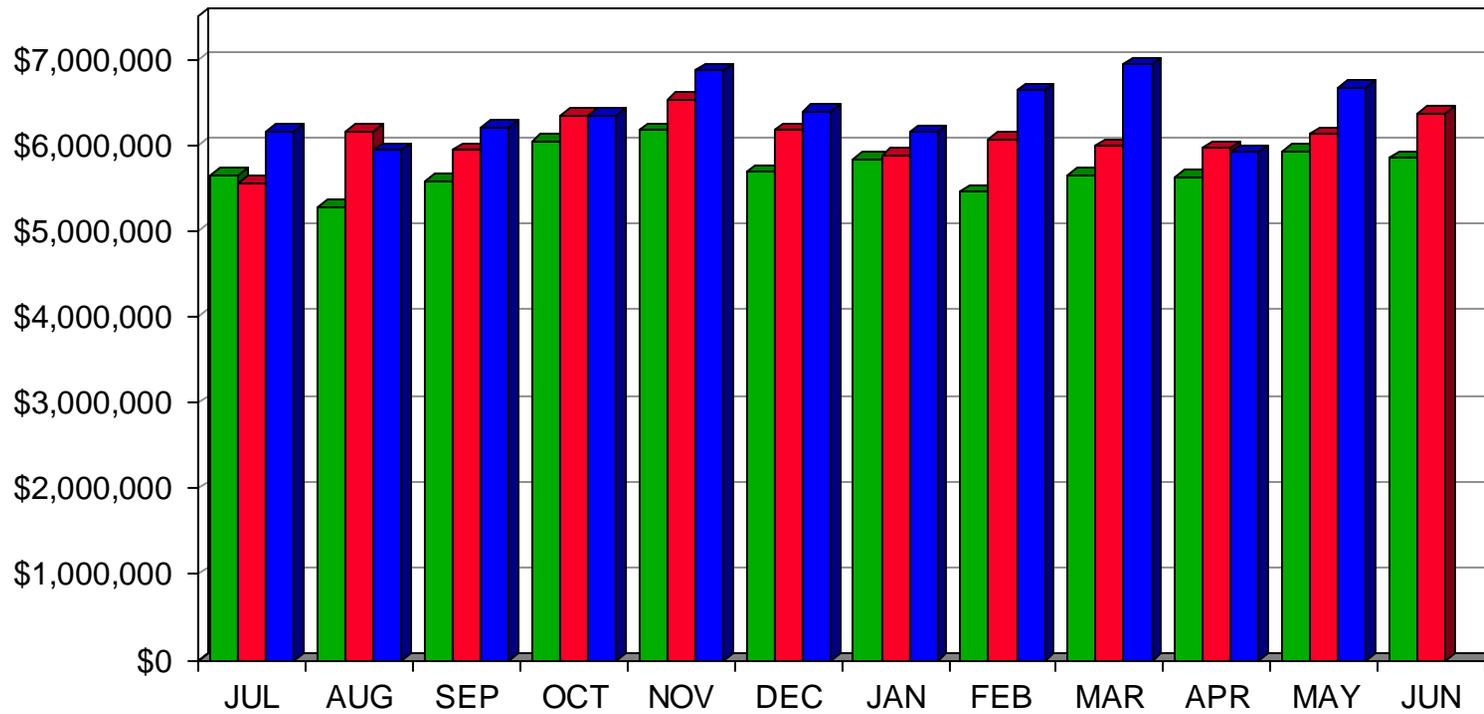
SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND RECEIPTS



May 31, 2005

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND EXPENDITURES

■ 2002-2003 ■ 2003-2004 ■ 2004-2005



May 31, 2005

SHAKER HEIGHTS CITY SCHOOL DISTRICT
General Fund-Financial Statement
Fiscal Year Ending
June 30, 2005

FS11May05Web/SummaryFYE2005
6/13/2005

| | Month of May | | | | Year-To-Date May | | | | Year-To-Date May | | |
|--|---------------------|---------------------|------------------|--------------|---------------------|---------------------|------------------|--------------|---------------------|--------------------|---------------|
| | Actual F05 | Actual F04 | \$ Inc(Dec) | %Inc(Dec) | Actual F05 | Actual F04 | \$ Inc(Dec) | %Inc(Dec) | YTD Bud.F05 | \$ Inc(Dec) | %Inc(Dec) |
| REVENUE: | | | | | | | | | | | |
| Real Estate Taxes | \$2,844,331 | \$2,614,666 | \$229,665 | 8.8% | \$51,293,983 | \$47,926,150 | \$3,367,833 | 7.0% | \$51,788,687 | (\$494,704) | -1.0% |
| Personal Property Taxes | 134,874 | 136,115 | (1,241) | -0.9% | 1,834,059 | 1,994,554 | (160,495) | -8.0% | 2,000,000 | (165,941) | -8.3% |
| Investment Earnings | 42,545 | 14,524 | 28,021 | 192.9% | 390,529 | 259,973 | 130,556 | 50.2% | 267,000 | 123,529 | 46.3% |
| Other Local | 21,757 | 587,717 | (565,960) | -96.3% | 768,075 | 1,378,803 | (610,728) | -44.3% | 1,360,000 | (591,925) | -43.5% |
| State Foundation | 1,311,005 | 1,383,362 | (72,357) | -5.2% | 13,047,130 | 12,259,131 | 787,999 | 6.4% | 12,490,000 | 557,130 | 4.5% |
| Homestead Exemption & RollBack | 0 | 0 | 0 | #DIV/0! | 3,390,014 | 2,951,650 | 438,364 | 14.9% | 3,150,000 | 240,014 | 7.6% |
| Other State | 0 | 0 | 0 | #DIV/0! | 856,194 | 1,374,119 | (517,925) | -37.7% | 1,398,478 | (542,284) | -38.8% |
| Federal-primarily Medicaid | 27,134 | 0 | 27,134 | #DIV/0! | 419,813 | 230,383 | 189,430 | 82.2% | 200,000 | 219,813 | 109.9% |
| Transfers & Advances In | 0 | 0 | 0 | #DIV/0! | 0 | 0 | 0 | #DIV/0! | 0 | 0 | #DIV/0! |
| TOTAL REVENUE | 4,381,646 | 4,736,384 | (354,738) | -7.5% | 71,999,797 | 68,374,763 | 3,625,034 | 5.3% | 72,654,165 | (654,368) | -0.9% |
| | 0 | 0 | 0 | | 0 | 0 | (0) | | 0 | (0) | |
| EXPENDITURES: | | | | | | | | | | | |
| Salaries & Wages | 3,938,910 | 3,792,965 | 145,945 | 3.8% | 43,515,697 | 42,212,385 | 1,303,312 | 3.1% | 43,801,553 | (285,856) | -0.7% |
| Fringe Benefits: | | | | | | | | | | | |
| Health Insurance | 606,428 | 393,351 | 213,077 | 54.2% | 6,858,609 | 5,845,761 | 1,012,848 | 17.3% | 6,559,000 | 299,609 | 4.6% |
| Retirement Expense | 591,050 | 578,549 | 12,501 | 2.2% | 6,518,815 | 6,399,807 | 119,008 | 1.9% | 6,638,000 | (119,185) | -1.8% |
| All Other Fringes | 100,222 | 90,505 | 9,717 | 10.7% | 1,099,816 | 1,055,485 | 44,331 | 4.2% | 1,100,000 | (184) | 0.0% |
| Total Fringe Benefits | 1,297,700 | 1,062,405 | 235,295 | 22.1% | 14,477,240 | 13,301,053 | 1,176,187 | 8.8% | 14,297,000 | 180,240 | 1.3% |
| Purchased Services: | 0 | 0 | | | 0 | 0 | | | | | |
| Utilities | 137,904 | 57,524 | 80,380 | 139.7% | 1,296,997 | 1,354,015 | (57,018) | -4.2% | 1,357,000 | (60,003) | -4.4% |
| Out-of-District Tuition | 354,786 | 365,593 | (10,807) | -3.0% | 3,305,497 | 2,264,900 | 1,040,597 | 45.9% | 3,151,000 | 154,497 | 4.9% |
| Pupil Transportation | 144,978 | 152,629 | (7,651) | -5.0% | 1,269,098 | 1,279,824 | (10,726) | -0.8% | 1,368,000 | (98,902) | -7.2% |
| All Other Purchased Services | 263,425 | 148,677 | 114,748 | 77.2% | 2,782,676 | 2,821,170 | (38,494) | -1.4% | 2,770,000 | 12,676 | 0.5% |
| Total Purchased Services | 901,093 | 724,423 | 176,670 | 24.4% | 8,654,268 | 7,719,909 | 934,359 | 12.1% | 8,646,000 | 8,268 | 0.1% |
| Materials & Supplies | 113,679 | 105,743 | 7,936 | 7.5% | 1,931,849 | 1,888,745 | 43,104 | 2.3% | 1,870,000 | 61,849 | 3.3% |
| Capital Outlay | 9,614 | 22,178 | (12,564) | -56.7% | 448,287 | 405,851 | 42,436 | 10.5% | 403,000 | 45,287 | 11.2% |
| Other-primarily Cty.Aud.&Treas.Fees | 403,251 | 415,762 | (12,511) | -3.0% | 942,344 | 952,333 | (9,989) | -1.0% | 962,000 | (19,656) | -2.0% |
| Transfers & Advances Out | 0 | 0 | 0 | #DIV/0! | 250,212 | 252,212 | (2,000) | -0.8% | 250,212 | 0 | 0.0% |
| TOTAL EXPENDITURES | 6,664,247 | 6,123,476 | 540,771 | 8.8% | 70,219,897 | 66,732,488 | 3,487,409 | 5.2% | 70,229,765 | (9,868) | 0.0% |
| | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 | (0) | |
| Net Revenues/(Expenditures) | (2,282,601) | (1,387,092) | (895,509) | 64.6% | 1,779,900 | 1,642,275 | 137,625 | 8.4% | 2,424,400 | (644,500) | -26.6% |
| Cash, Beginning of Period | 16,483,503 | 14,973,937 | 1,509,566 | 10.1% | 12,421,003 | 11,944,570 | 476,433 | 4.0% | 12,421,003 | 0 | 0.0% |
| Cash, End of Month | 14,200,903 | 13,586,845 | 614,058 | 4.5% | 14,200,903 | 13,586,845 | 614,058 | 4.5% | 14,845,403 | (644,500) | -4.3% |
| | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 | (0) | |
| Less O/S Encumbrances | 3,060,719 | 3,137,406 | (76,687) | -2.4% | 3,060,719 | 3,137,406 | (76,687) | -2.4% | 3,137,000 | (76,281) | -2.4% |
| Less Budget Reserve | 353,070 | 353,070 | 0 | 0.0% | 353,070 | 353,070 | 0 | 0.0% | 353,070 | 0 | 0.0% |
| | | | | | | | | | | | |
| Fund Balance, End of Month | \$10,787,114 | \$10,096,369 | \$690,745 | 6.8% | \$10,787,114 | \$10,096,369 | \$690,745 | 6.8% | \$11,355,333 | (\$568,219) | -5.0% |
| | 0 | 0 | 0 | | (0) | 0 | (0) | 0.0% | 0 | (0) | 0.0% |
| Total General Obligation Debt Outstanding | | | | | \$22,675,933 | \$13,867,774 | | | | | |