

SHAKER HEIGHTS BOARD OF EDUCATION
SHAKER HEIGHTS, OHIO

July 30, 2004

TO: Members, Shaker Heights Board of Education

FROM: Bryan C. Christman, Treasurer

SUBJECT: Financial and Miscellaneous Briefs

I. GENERAL FUND (As of June 30, 2004)

A. REVENUE

1. **Real Estate Taxes**

\$2,837,744 or 6.3% more than taxes received as of June 2003. 99.4% of estimated real estate tax collections have been received to date. Last year at this time, we had received 100.6% of the estimated taxes. As reported in previous months, the 2nd half collections were in fact down about \$120,000 from a year ago (even though total collections for calendar 2003 are \$164,000 higher than calendar 2002). The increased collections since January are of course due to the new 9.6 mill levy.

2. **Personal Property Taxes:**

\$441,120 or 17.5% less than taxes received at this time last year. 94.5% of the estimated tangible tax has been received to date. Last year at this time, we had received 132.7% of the estimated taxes. The variance is due to lower collections of tax revenues in July (\$114,000), for the 2nd half 2003 settlement (\$289,000), and for the 1st half 2004 advances through June (\$10,500). While \$50,000 of the difference in the 1st half settlement was simply a timing difference (there was only a \$64,000 difference between the 1st half 2003 and 2002 settlements), the combined non-timing reduction of \$353,000 is primarily due to a \$228,000 reduction from OfficeMax, a \$106,000 reduction from Adelphia, and a \$40,000 reduction from Wild Oats, offset by other net increases. As you may recall last fiscal year's collections were inordinately high primarily due to a substantial increase in OfficeMax. This year's collections were much more in line with fiscal 2002 (only \$22,000 higher). Timing continues to impact the fiscal numbers as the 1st half 2004 settlement received in July reflected a \$92,000 increase (the total 1st half settlement was \$82,000 higher than the 1st half 2003 settlement (\$350,000 vs. \$269,000).

Additionally, the exempt personal property tax received in December 2003 was \$27,500 less than the prior year due to the implementation of the ten-year phase-out in accordance with the provisions of House Bill No. 95, the state's biennial budget bill passed last June.

Even though real estate and personal property tax collections have fallen below expectations for the year, the homestead and rollback total for the year exceeded the budget by \$322,000, thereby resulting in total property tax collections falling short by less than \$73,000 (.13%) of the budgeted property tax revenues of \$56.4 million.

3. Investment Earnings:

\$288,773 received this year, which is \$80,012 or 21.7% less than received at this time last year. 72.2% of estimated interest income has been received to date. Last year at this time, we had received 77.0% 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. This year's investment income suffered from the continuing depressed interest rates. As expected, the Federal Reserve did adjust the target federal funds rate from 1.00% to 1.25% at their June 30th meeting. As previously reported, we did not meet the revenue target for investment earnings for the year (short by \$111,000).

4. Other Local:

This category, which consists primarily of tuition payments from other districts, was slightly (\$7,000) below the prior year actual, and about \$26,000 (1.8%) below budget for the year.

5. State Sources:

State Foundation program receipts are \$209,040 or 1.5% more than those of one year ago. 102.0% of estimated Foundation receipts have been received to date compared to 96.9% for last year. This item exceeded budget by \$270,000, or 2.0%.

Other State Sources for the year-to-date include \$508,919 for reimbursement of special education catastrophic costs for fiscal 2003, representing a 59.1% increase over the fiscal 2002 reimbursement of \$320,000.

Other State Sources year-to-date also include two semi-annual public utility property tax reimbursements of \$388,739 each, the second of which was received in March. You may recall, such payments are intended to offset the reduction in real estate taxes collected due to the lower assessed value applied to the electric and natural gas industry properties.

Although this category was \$46,000 below last year, it exceeded the budgeted revenues of \$1.4 million by \$113,000, or 8.2%.

6. Federal Sources:

Federal YTD receipts include primarily Medicaid and intervention program reimbursements. A processing dispute between the State and the Federal governments has resulted in a delay in Medicaid reimbursements for claims since January. The delayed payment issue has been resolved and the payment of prior months revenues amounting to \$124,000 was received in July. Other changes including a conversion to a modified fee-for-service in lieu of a cost-reimbursement basis program are still in limbo.

With the delayed payment received in July, the fiscal year total collections exceeded both prior year (\$11,000) and the budget (\$69,000).

7. Total Revenue:

\$2,826,990 or 4.0% more than the amount received during the prior fiscal year-to-date. 100.2% of estimated revenue has been received to date compared to 101.9% last year. The variance from prior year and budget is primarily due to the \$2,863,000 increased property taxes (including Homestead Exemption & Rollback) due to the new levy (offset by decreased personal property tax collections). Total revenue for the year exceeded the budgeted amount of \$73.5 million by \$117,000, or .2% of total revenues.

B. EXPENDITURES

1. Salaries & Wages:

Payroll expenses as of June 30th represent a 4.6% increase over last year's payrolls for the same number of year-to-date pay dates. Payrolls averaged \$1,932,733 for the year-to-date vs. \$1,848,372 for the prior year. The rising average reflects the cumulative effect of the contractual increases that went into effect on January 1 and last July 1, as well as the step increments that went into effect on September 1. Total salaries and wages are 4.5% above the prior year due to timing of other fund chargebacks.

2. Fringe Benefits:

Fringe benefit expenses are \$1,001,744 or 7.5% higher this fiscal YTD vs. the prior year. The all other fringe benefits are \$415,987 or 56.6% higher, primarily due to the change to an "accrual" approach for the non-health fringe benefit expenses in concert with the change to the state software system for our payroll processing effective July 1, 2003. The "accrual" of these amounts is accumulated in Fund 22, District Agency, from which payments to the respective vendors are made (similar to how we have been reporting the health insurance expenses in Fund 24 for the last several years). The primary other fringe benefit is workers' compensation.

Because of the over-funded health insurance contingent premium reserve, we have been able to utilize for fiscal 2004, \$520,000 of the over-funding to reduce the charges to the General Fund.

3. Utilities:

Utility payments are \$213,065 or 17.8% higher this fiscal YTD vs. the prior year due primarily to budget basis natural gas payments of \$54,000 per month in this fiscal year vs. \$0 per month last year (for the first five months) due to the “gas payment holiday” resulting from the overpaid position at June 30, 2002. Additionally, rates have risen this winter, but not nearly as steep as the highest months during the 2002-03 winter. Because of the high budget amounts this year, our expenses for fiscal 2004 are significantly higher than fiscal 2003. We did have two “gas payment holidays” in May and June, due to our overpaid status resulting from a milder winter than what was expected. The overpayment balance, which approximated \$54,000 at June 30, will be applied to next year’s account.

4. Total Expenses:

On a cash basis, total expenses were \$4,331,439 or 6.3% more than the YTD expenditure level for the prior fiscal year. YTD expenses represent 99.6% of the estimated fiscal 2004 expenses vs. 100.0% of the budget year elapsed. Last year at this time, we had spent 100.1% of estimated annual expenses. The cash basis budget to actual variance is a positive \$290,859. This variance is a timing difference in payments of expenses, given the equivalent increase in encumbrances outstanding. Besides the increase in salaries of \$1,973,000 the variance vs. the prior year is primarily due to the following:

- \$325,000 increase in retirement expenses;
- \$397,000 increase in workers’ compensation due to discount program in the prior year coupled with the accrual method implemented this year;
- \$261,000 increase in total health insurance costs (net of \$43,273 contingent premium payment received from the Shaker Heights Public Library);
- \$619,000 increase in out-of-district tuition payments;
- \$213,000 increase in utility payments due to reasons discussed above;
- \$82,000 increase in pupil transportation costs; and
- \$298,000 increase in other purchased service line items, including a \$31,000 increase in legal fees (not including a \$79,000 increase in the legal encumbrance).

As planned, we successfully lived within our Five-Year Forecast "Spending Caps" budget as is demonstrated by the chart below. We were successful in maximizing our utilization of our discretionary funds while able to retain a balance in the health self-insurance fund to cover any liability resulting from the fiscal 2004 contingent premium settlement.

	<u>FYE 2004</u>	<u>FYE 2003</u>	<u>\$</u> <u>Inc/(Dec)</u>	<u>%</u> <u>Inc/(Dec)</u>	<u>FYE 2002</u>	<u>\$</u> <u>Inc/(Dec)</u>	<u>%</u> <u>Inc/(Dec)</u>
<u>Budget:</u>							
"Spending Caps" Budget	\$73,388,112	\$68,726,966	\$4,661,146	6.8%	\$66,013,798	\$2,713,168	4.1%
+ Carryover Encumbrances from prior yearend	1,644,864	1,683,712	(38,848)	-2.3%	2,205,265	(521,553)	-23.7%
Total Spending Authority	<u>75,032,976</u>	<u>70,410,678</u>	<u>4,622,298</u>	6.6%	<u>68,219,063</u>	<u>2,191,615</u>	3.2%
<u>Expenditures:</u>							
Cash Payments	73,097,253	68,765,814	4,331,439	6.3%	66,535,351	2,230,463	3.4%
+ Yearend Encumbrances	1,935,723	1,644,864	290,859	17.7%	1,683,712	(38,848)	-2.3%
Total Expenditures	<u>75,032,976</u>	<u>70,410,678</u>	<u>4,622,298</u>	6.6%	<u>68,219,063</u>	<u>2,191,615</u>	3.2%
Expenditures in excess of "Spending Caps"	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	—	<u>\$0</u>	<u>\$0</u>	—

Encumbrances at June 30, 2004, are \$290,859 higher than the prior year. The primary categories of the yearend encumbrances are as follows:

	(000's omitted)		
	<u>FYE04</u>	<u>FYE03</u>	<u>Inc/(Dec)</u>
Out-of-District Tuition	1,404	1,134	270
Pupil Transportation (Contract)	81	77	4
Professional & Technical Services	211	137	74
All Other Purchased Services	107	100	7
Materials & Supplies	96	179	(83)
Capital Outlay	8	7	1
Other	29	11	18
Total	<u>\$ 1,936</u>	<u>\$ 1,645</u>	<u>\$ 291</u>

5. Debt Service Payments:

Debt Service payments of \$497,900, including \$150,000 of principal, was made at the respective semi-annual June payment dates. Such payments are paid from the Bond Retirement Fund 002.

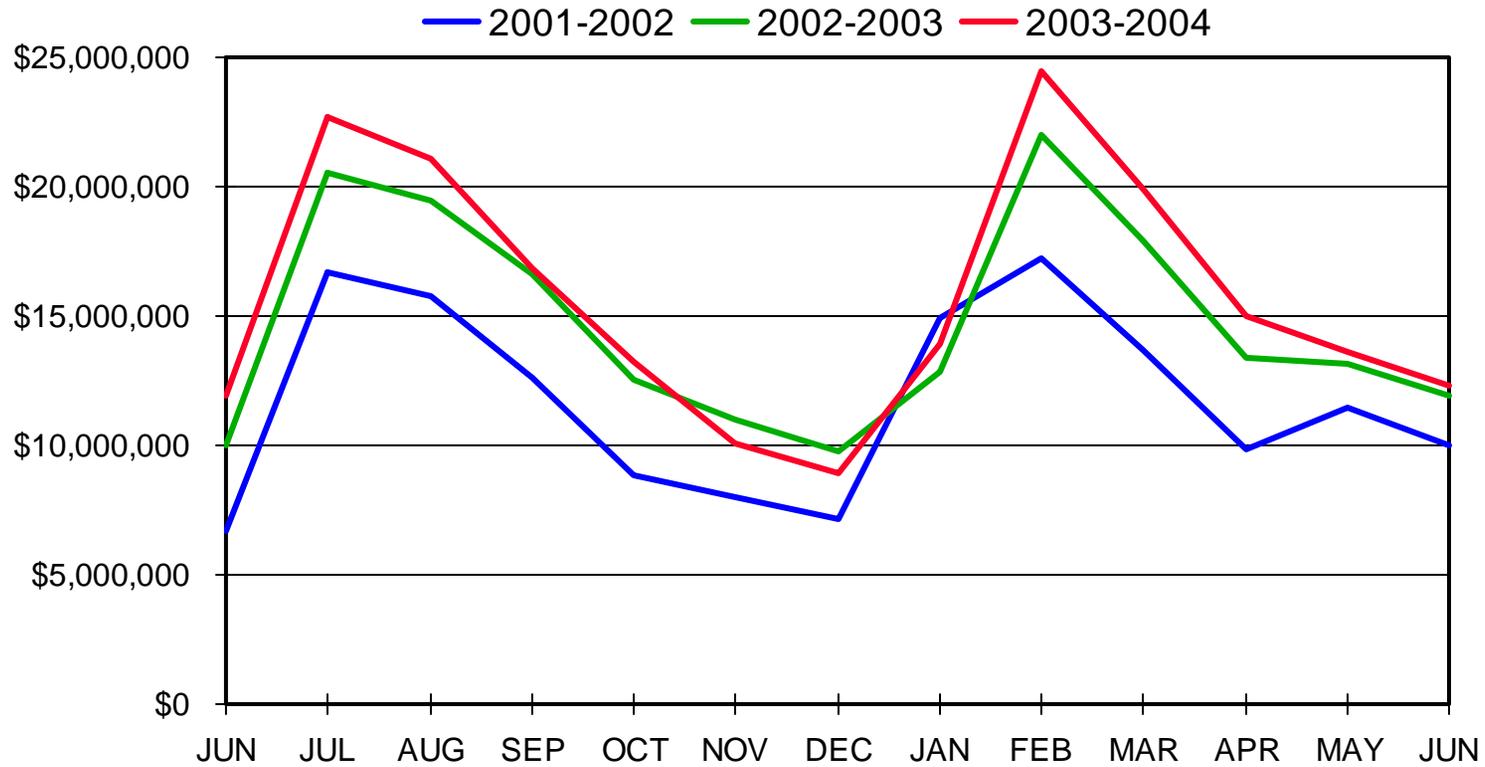
II. CONCLUSIONS

1. Cash balance reflects an increase of \$476,432 from that of one year ago. This is due to the \$2.0 million higher beginning of year balance, offset by the 1.5 million smaller excess of revenues over expenditures for the current YTD vs. the prior YTD.
2. All cash deficits were covered at June 30th.
3. The unencumbered fund balance (cash less encumbrances) at June 30, 2004 was \$10.1 million which is an increase of \$0.2 million. The balance is \$0.1 million higher than projected for the year, due to the overall higher than budgeted revenues as follows:

	Variance Over/(Under) <u>(000's omitted)</u>
Property Taxes, including Homestead Exemption and Rollback	\$ (73)
Interest on Investments	(111)
State Foundation	270
State Section 3317.027/.028 Adjustment	22
Special Education Category 3 Reimbursement	189
State Bus Purchase Subsidy	(4)
Tuition, primarily from other Districts	(99)
Federal-Medicaid Reimbursements	(105)
Other Revenues	<u>28</u>
Total	<u>\$ 117</u>

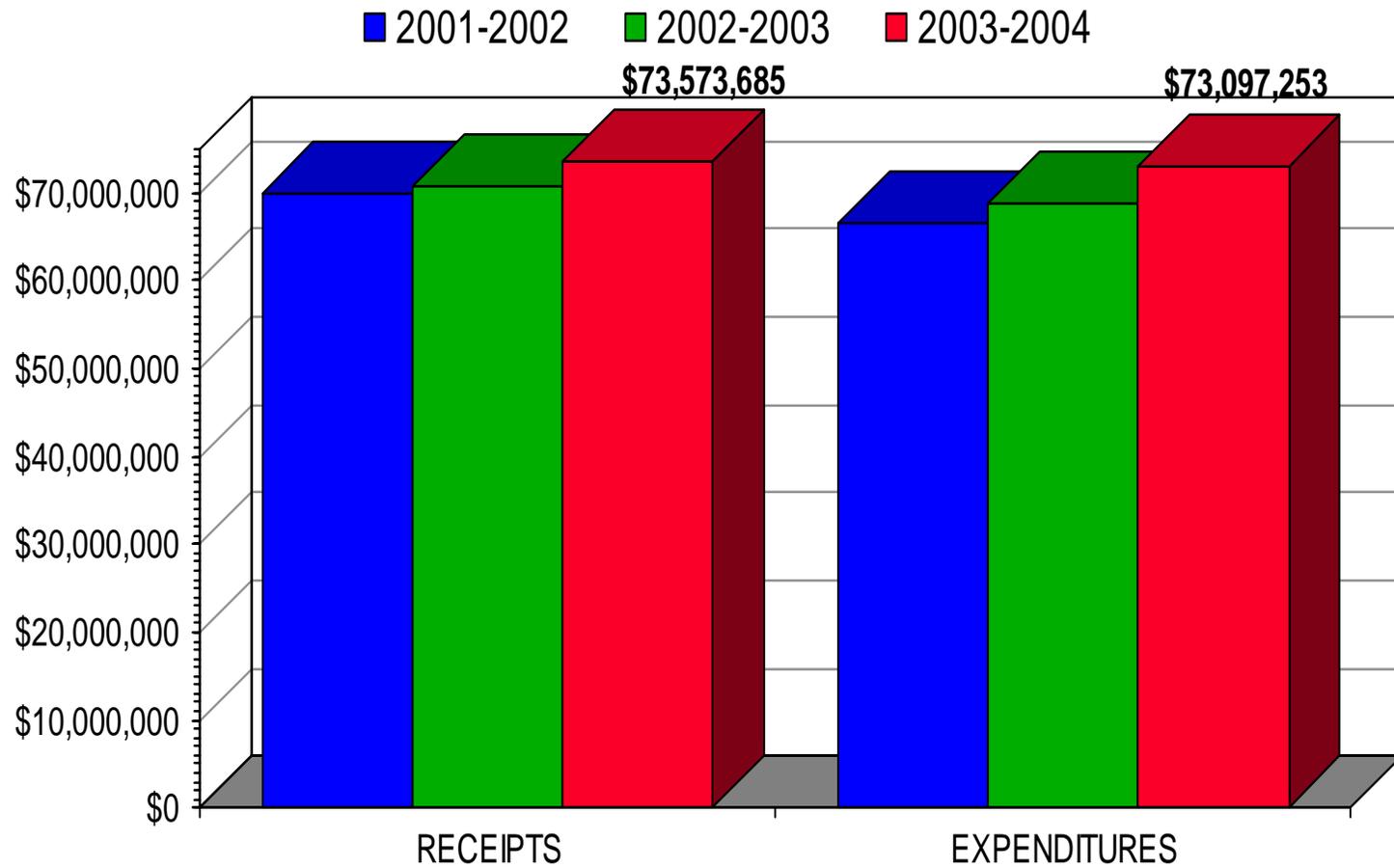
3. In accordance with Board approval received at the June meeting, we processed intra-fund appropriation modifications as reflected in the final June 30, 2004 Budget Account Summary Report (Section 8) in order to finalize fiscal year end closing of the books.

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND CASH BALANCE



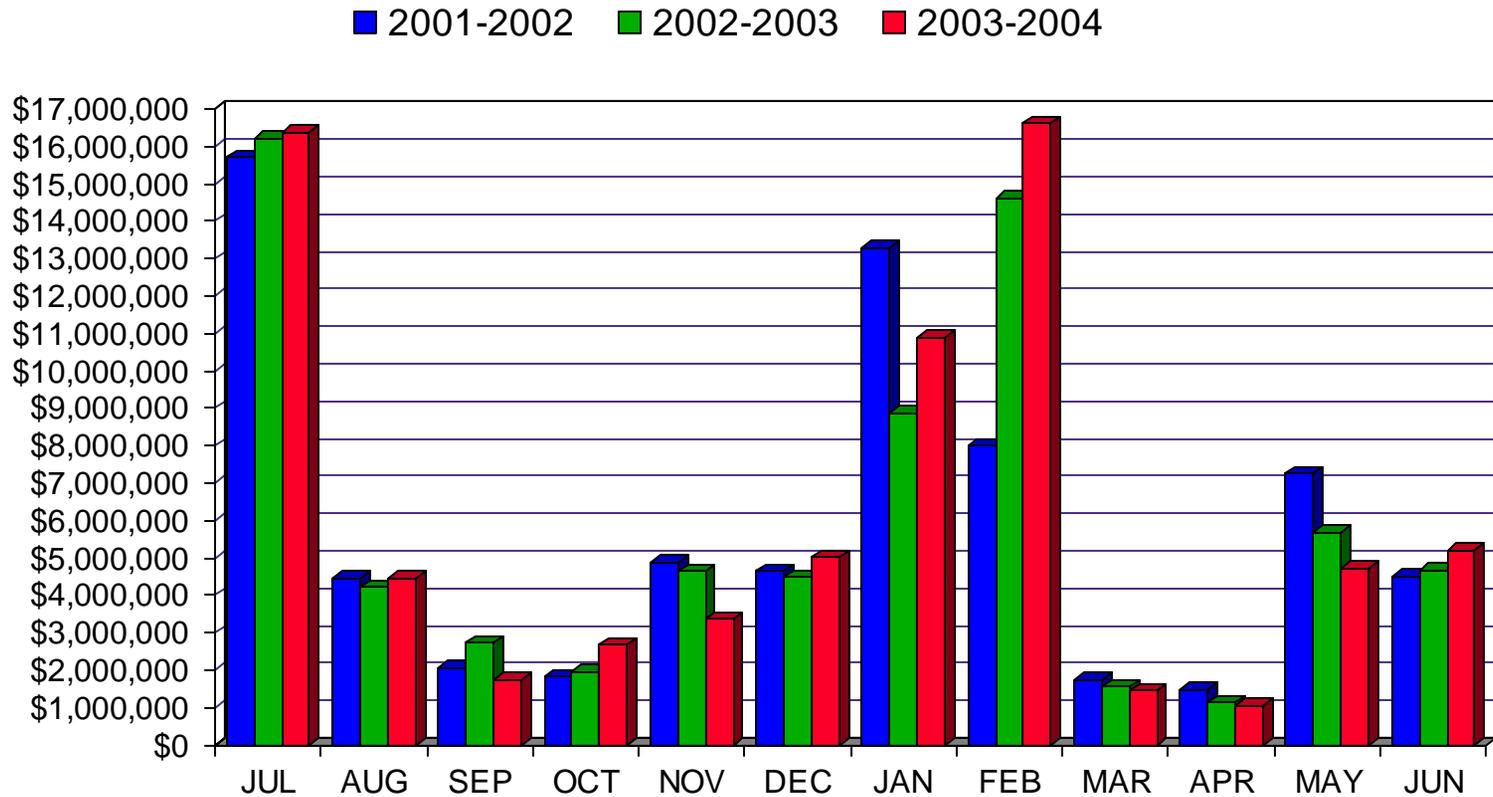
June 30, 2004

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND



June 30, 2004

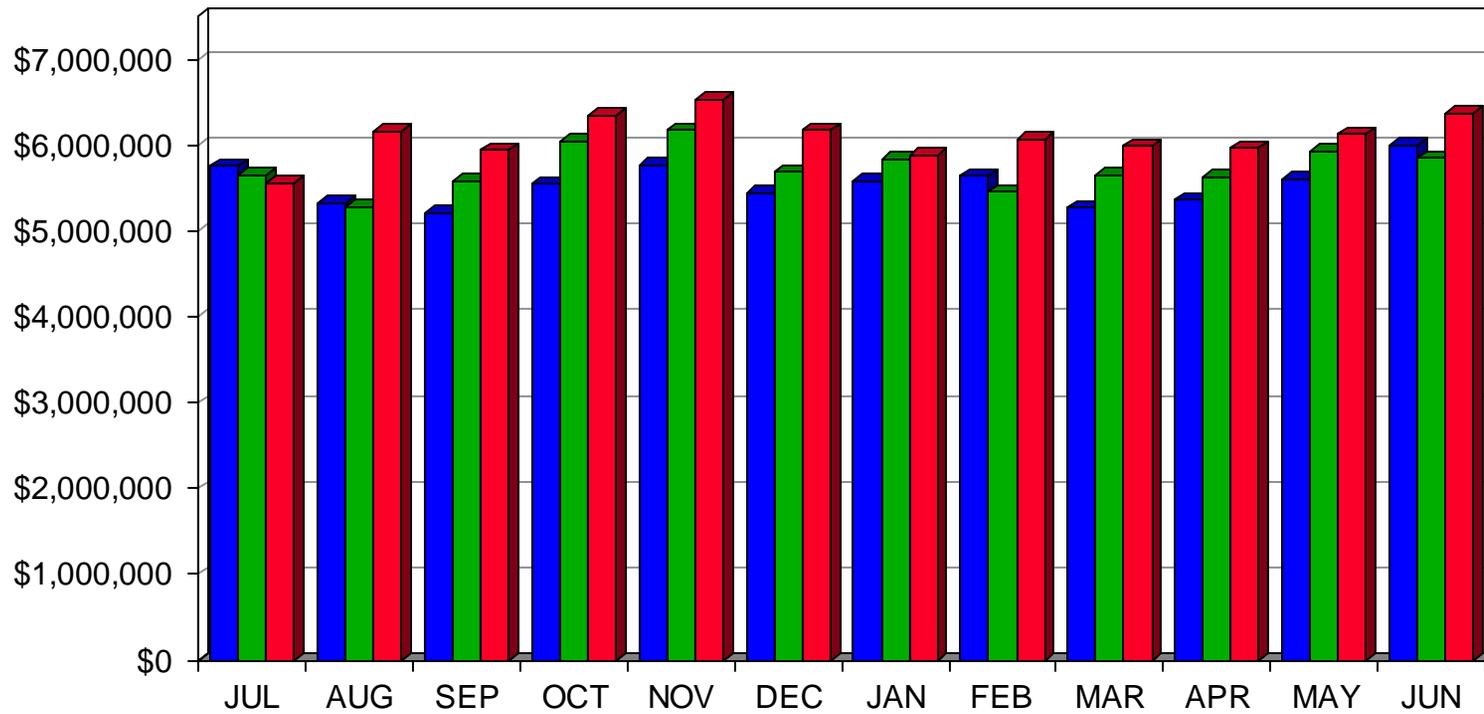
SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND RECEIPTS



June 30, 2004

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND EXPENDITURES

■ 2001-2002 ■ 2002-2003 ■ 2003-2004



June 30, 2004

SHAKER HEIGHTS CITY SCHOOL DISTRICT
General Fund-Financial Statement
Fiscal Year Ending
June 30, 2004

FS12Jun04Web/SummaryFYE2004
8/26/2004

	Month of June				Year-To-Date June				Year-To-Date June		
	Actual F04	Actual F03	\$ Inc(Dec)	%Inc(Dec)	Actual F04	Actual F03	\$ Inc(Dec)	%Inc(Dec)	YTD Bud.F04	\$ Inc(Dec)	%Inc(Dec)
REVENUE:											
Real Estate Taxes	\$0	\$32,374	(\$32,374)	-100.0%	\$47,926,150	\$45,088,406	\$2,837,744	6.3%	\$48,200,000	(\$273,850)	-0.6%
Personal Property Taxes	84,826	137,321	(52,495)	-38.2%	2,079,380	2,520,500	(441,120)	-17.5%	2,200,000	(120,620)	-5.5%
Investment Earnings	28,800	17,921	10,879	60.7%	288,773	368,785	(80,012)	-21.7%	400,000	(111,227)	-27.8%
Other Local	62,132	93,997	(31,865)	-33.9%	1,440,935	1,447,737	(6,802)	-0.5%	1,467,000	(26,065)	-1.8%
State Foundation	1,510,628	1,078,437	432,191	40.1%	13,769,759	13,560,719	209,040	1.5%	13,500,000	269,759	2.0%
Homestead Exemption & RollBack	3,369,860	2,943,110	426,750	14.5%	6,321,510	5,855,030	466,480	8.0%	6,000,000	321,510	5.4%
Other State	122,110	323,487	(201,377)	-62.3%	1,496,229	1,541,826	(45,597)	-3.0%	1,383,359	112,870	8.2%
Federal-primarily Medicaid	20,567	35,421	(14,854)	-41.9%	250,950	363,692	(112,742)	-31.0%	306,000	(55,050)	-18.0%
Transfers & Advances In	0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	#DIV/0!
TOTAL REVENUE	5,198,922	4,662,068	536,854	11.5%	73,573,685	70,746,695	2,826,990	4.0%	73,456,359	117,326	0.2%
EXPENDITURES:											
Salaries & Wages	3,934,454	3,818,361	116,093	3.0%	46,146,839	44,174,307	1,972,532	4.5%	46,150,000	(3,161)	0.0%
Fringe Benefits:											
Health Insurance	394,787	385,938	8,849	2.3%	6,240,549	5,979,541	261,008	4.4%	7,184,000	(943,451)	-13.1%
Retirement Expense	597,717	500,061	97,656	19.5%	6,997,524	6,672,775	324,749	4.9%	7,015,000	(17,476)	-0.2%
All Other Fringes	94,955	50,750	44,205	87.1%	1,150,439	734,452	415,987	56.6%	915,900	234,539	25.6%
Total Fringe Benefits	1,087,459	936,749	150,710	16.1%	14,388,512	13,386,768	1,001,744	7.5%	15,114,900	(726,388)	-4.8%
Purchased Services:											
Utilities	56,249	96,061	(39,812)	-41.4%	1,410,264	1,197,199	213,065	17.8%	1,353,000	57,264	4.2%
Out-of-District Tuition	805,050	440,680	364,370	82.7%	3,069,950	2,451,075	618,875	25.2%	2,675,000	394,950	14.8%
Pupil Transportation	160,667	157,753	2,914	1.8%	1,440,491	1,358,488	82,003	6.0%	1,276,000	164,491	12.9%
All Other Purchased Services	144,945	303,894	(158,949)	-52.3%	2,966,115	2,668,352	297,763	11.2%	3,043,000	(76,885)	-2.5%
Total Purchased Services	1,166,911	998,388	168,523	16.9%	8,886,820	7,675,114	1,211,706	15.8%	8,347,000	539,820	6.5%
Materials & Supplies	125,547	74,174	51,373	69.3%	2,014,292	2,061,469	(47,177)	-2.3%	2,137,000	(122,708)	-5.7%
Capital Outlay	20,888	20,074	814	4.1%	426,739	416,673	10,066	2.4%	500,000	(73,261)	-14.7%
Other-primarily Cty.Aud.&Treas.Fees	29,006	3,479	25,527	733.7%	981,339	804,522	176,817	22.0%	852,000	129,339	15.2%
Transfers & Advances Out	500	0	500	#DIV/0!	252,712	246,961	5,751	2.3%	287,212	(34,500)	-12.0%
TOTAL EXPENDITURES	6,364,765	5,851,225	513,540	8.8%	73,097,253	68,765,814	4,331,439	6.3%	73,388,112	(290,859)	-0.4%
Net Revenues/(Expenditures)	(1,165,842)	(1,189,157)	23,315	-2.0%	476,433	1,980,881	(1,504,448)	-75.9%	68,247	408,186	598.1%
Cash, Beginning of Period	13,586,845	13,133,727	453,118	3.5%	11,944,570	9,963,689	1,980,881	19.9%	11,944,570	0	0.0%
Cash, End of Month	12,421,003	11,944,570	476,433	4.0%	12,421,003	11,944,570	476,433	4.0%	12,012,817	408,186	3.4%
Less O/S Encumbrances	1,935,723	1,644,864	290,859	17.7%	1,935,723	1,644,864	290,859	17.7%	1,644,864	290,859	17.7%
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	\$10,132,210	\$9,946,636	\$185,574	1.9%	\$10,132,210	\$9,946,636	\$185,574	1.9%	\$10,014,883	\$117,327	1.2%
Total General Obligation Debt Outstanding					\$13,717,774	\$14,835,247					