

Finance & Audit Committee Report

December 2005

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EXECUTIVE SUMMARY

The system for funding public schools in Ohio today continues to rely heavily on the local property taxpayer. Under Ohio Law, school districts must maintain a balanced budget. Other state laws, namely House Bill No. 920 (“H.B. 920”), enacted in 1976, have the effect of preventing any increase in tax revenues when property values rise. This requires school districts to pass levies to raise additional revenue. This is particularly onerous for mature residential communities such as Shaker Heights, where there is very little land available for new development, and relatively little commercial property to help absorb the tax burden.

The District cannot reasonably expect additional support from the State of Ohio to help finance programs. Although the Ohio Supreme Court has ruled four times in the *DeRolph vs. Ohio* school funding lawsuit that the State’s method of financing schools is unconstitutional, the Court has declined to force the General Assembly to devise a new system. To compound matters, House Bill No. 66 (H.B. 66), the state’s biennial budget for fiscal years 2006 and 2007, adopted sweeping changes in the State’s tax structure to the detriment of many school districts, including Shaker Heights. With the implementation of H.B. 66, State support for the School District is expected to flat-line, and may even decline if the State reduces the amount of its guaranteed payment to the School District after the end of the State’s 2006-2007 biennium.

While tax revenues remain frozen, school expenditures continue to increase. Some of these increases are mandated by statute or contract, while other increases are due to inflationary forces existing elsewhere in the economy, notably in energy and health care. The District has already undertaken spending reductions to reduce the gap between projected revenues and expenditures. Reductions beyond the 5% contemplated would, in the Board’s judgment, jeopardize the academic programs that attract residents to Shaker Heights.

One does not have to look far to find objective evidence of the quality of the Shaker Schools:

- On average, approximately 90% of Shaker graduates enroll in colleges and universities across the country, including some of the most selective;
- The average SAT exam scores and the number of Advanced Placement courses offered to its students compare very favorably to those of neighboring districts; and
- Each year, an average 12% of the Senior Class are recognized as either National Merit, National Achievement, or National Hispanic scholars, compared with only 2% of high school seniors nationally who earn such honors.

Responsible stewardship requires that the District pursue the dual objectives of financial balance and high-quality educational programs. For this reason, the Finance & Audit Committee has concluded that the District should proceed with spending reductions and should place an operating levy on the ballot in 2006. The following report details the Committee’s deliberations and conclusions.

I. INTRODUCTION

Assuring that its schools have necessary financial resources is one of a local board of education's most important responsibilities. To meet this responsibility, the Shaker Heights Board of Education conducts a continuous assessment of both current revenues and expenditures and projections for the future.

In October 2002, the Shaker Heights Board of Education appointed a Finance & Audit Committee consisting of nine members, including two members of the Board of Education, to help assess the District's financial needs. The members of the committee were selected because of their broad range of expertise in accounting, economics, finance, public finance, law, and higher education. All are District residents. Brief biographical sketches of the committee members are included in the appendix of this report.

The Committee was charged with the following tasks:

- Review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the District's financial statements;
- Review an analysis prepared by management and the external auditor of significant financial reporting issues and judgments made in connection with the preparation of the District's financial statements;
- Review major changes to the District's auditing and accounting principles and practices as suggested by the external auditor or management;
- Discuss with the external auditor the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees* relating to the conduct of the audit;
- Review with the external auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the District's response to that letter. Such review should

include any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;

- Meet at least annually with the chief financial officer (Treasurer) and separately with the external auditor, if the committee deems it necessary; and
- When requested by the Board, review the soundness of all financial assumptions relied upon in determining the fiscal necessity and timing of any levy.

Consistent with its current charge, the Committee met four times during the months of September, October, and November to study the District's financial projections and review related financial information. The Committee members were provided with significant amounts of data about the sources and uses of district funds as well as background information about school finance in Ohio. Additionally, the Committee met in April with a representative of the Auditor of State to review the District's audit. The committee issued its first report in December 2002, recommending an operating levy that passed with a 65.4% margin in May 2003; and a second report in May 2004, recommending a bond issue that was approved by the voters with a 67.7% margin in November 2004.

The Committee's current focus is on operating needs and its charge is to:

- Review the forecast assumptions made by the District Treasurer;
- Study the financial projections and examine related documents concerning the District's finances; and
- Conclude as to the necessity of placing an operating levy on the ballot in 2006.

Details of the Committee's observations and conclusions follow.

II. DISTRICT OVERVIEW

A. The Board of Education and Administration

The Board of Education of the Shaker Heights School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the District, and is, together with the School District, governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is composed of five members who are locally elected to overlapping four-year terms. The Board elects its President and Vice President annually, and appoints two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

B. The School District and its Facilities

The District is located in Shaker Heights, Ohio, Cuyahoga County. The District operates five elementary schools (K-4), one upper elementary school (5-6), one middle school (7-8), one high school (9-12), and a pre-kindergarten Early Intervention Program at the Shaker Family Center. The District's four support facilities include an administration building, a transportation center, a warehouse and maintenance vehicle garage, and a media and technology services facility. The District's facilities include 900,000 square feet in buildings and 95 acres of grounds. The District's 50 buses transport in excess of 4,000 public and private students per day. The District's technology infrastructure consists of a fiber optic network that includes 36 servers supporting 1,100 in-house District computers in addition to remote access through a firewall-protected security system.

The District covers approximately 7.5 square miles, including all of the City of Shaker Heights and a portion of the City of Cleveland in the Shaker Square area, and is located approximately ten miles

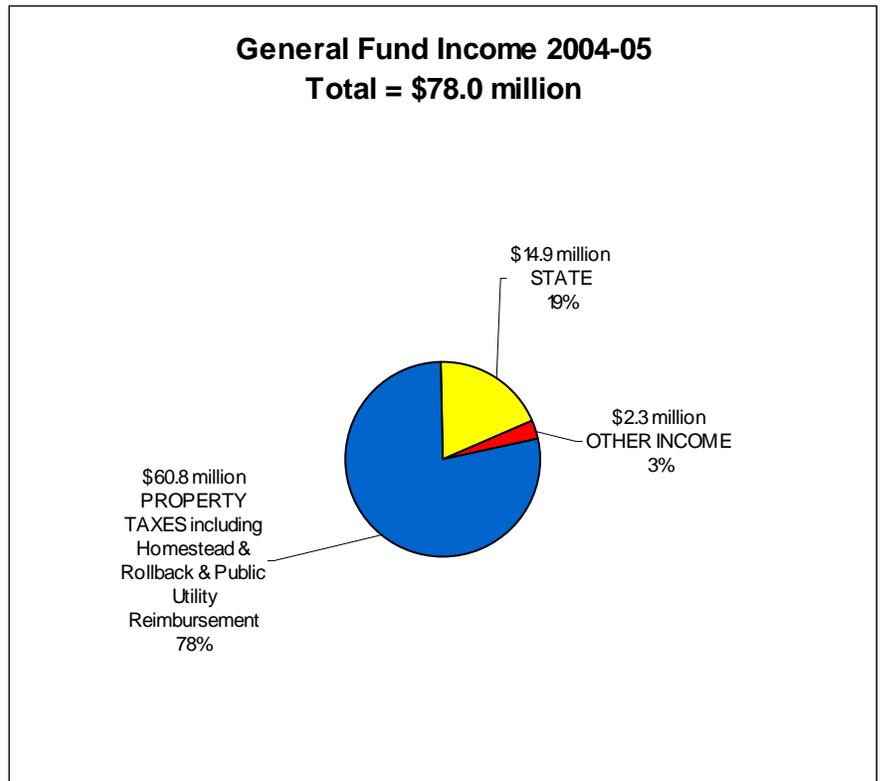
southeast of downtown Cleveland.

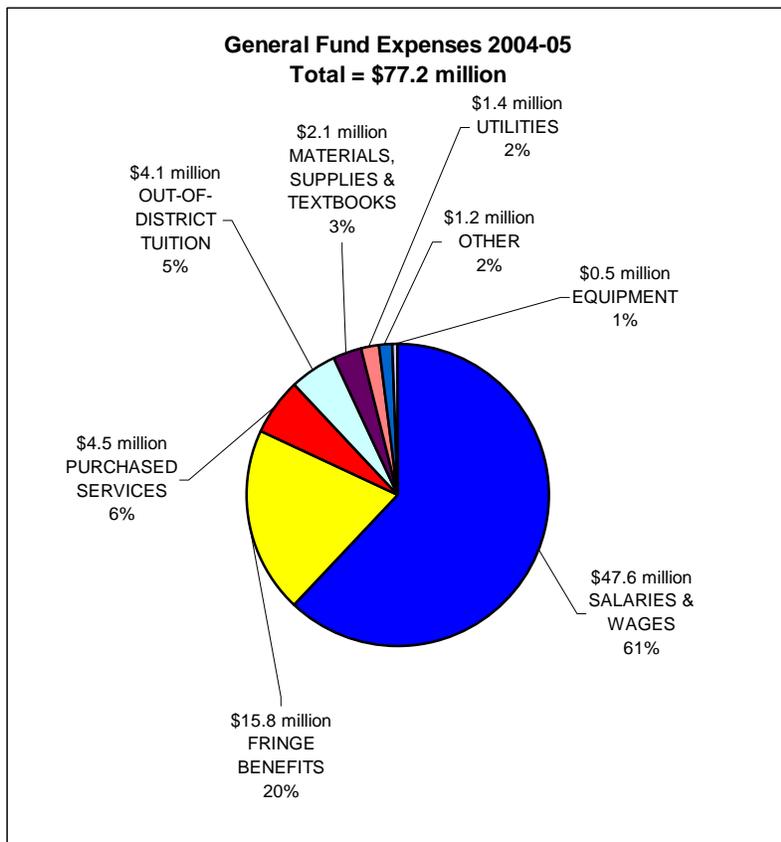
C. District Employees

The District's instructional and support facilities are staffed by 294 classified (non-teaching) employees, 490 certificated full- and part-time teaching and tutoring personnel, and 36 administrators who provide services to 5,700 students. The District's teachers and certain educational specialists are represented by the Shaker Heights Teachers' Association ("SHTA"). The District's teaching staff average 16 years of experience. Classified employees of the District are represented for collective bargaining purposes by two unions, Ohio Association of Public School Employees (OAPSE), Local #149 (secretarial-clerical), and National Conference of Firemen and Oilers, Local #200 (custodial, maintenance, transportation and cafeteria staff).

D. District Revenues

The two main sources of revenues for school districts in Ohio are local property taxes and State support through the State Foundation program. The District's revenues for fiscal 2004-05 included approximately \$60.8 million from property taxes (including the state reimbursement for Homestead and Rollback and Public Utility reimbursement





payments) which represented 78% of the District's General Fund revenues. The State contributed \$14.9 million, or 19% of total General Fund revenues.

Property taxes are levied on residential and commercial real estate, as well as on commercial tangible personal property (primarily machinery and equipment and furniture and fixtures). Of the District's property tax revenues, approximately 82% or \$42 million are derived from the taxation of residential real estate. This heavy reliance on residential property taxes is due to the limited amount of commercial property that exists within the District boundaries.

E. District Expenses

In virtually all school districts the largest category of operational expenditures is personnel. Historically, 80% to 85% of school district budgets in Ohio consist of salaries and related employee benefits. For the fiscal year ending June 30, 2005, salaries and benefits approximated 82% of total general fund expenses in the District.

Negotiated collective bargaining agreements determine salary and related fringe benefit payments for nearly all District employees. The current contracts, which expire in fiscal 2007, call for 3.0%, 3.0%, and 3.25% cost of living adjustments in fiscal years 2004, 2005, and 2006 respectively, in addition to annual experience and degree level increases. The two major fringe benefit costs are the state-mandated retirement contributions and health insurance costs.

While the State retirement systems are currently levying the legislated-maximum 24% (14% employer and 10% employee) of salary assessments, the District has assumed that the employer contribution rate will remain unchanged during the five-year forecast period.

The cost of health insurance has skyrocketed over the past few years, growing from a percentage of salaries & wages of 9.2% in 1998 to 15.7% in 2005. The current industry trend rates coupled with the District's utilization experience play an important role in the estimation of future increases. Although many in the healthcare industry experience higher cost increases, the District has budgeted an annual 14% net increase during the forecast period. A related healthcare expense, the Medicare tax, is 1.45% of salaries for all public employees hired after March 1986.

Additionally, Federal and State regulations require certain mandated services, primarily special education, which have become significant cost factors for the District. Special education services are provided both within the District and externally through cooperative agreements with other educational institutions. All special education costs, especially out-of-district tuition costs, continue to soar. Not only does the cost of delivering such services continue to outpace the general inflation rate, but the proportion of students requiring special education is rising both locally and nationally. Such costs comprised

approximately 15% of the General Fund budget in fiscal 2005, as compared to 11.8% in fiscal year 1995.

As discussed in Section IV.B., new state and federal mandates also place additional financial burdens on the District. It is anticipated that these costs will continue to rise for some time into the future.

F. District Capital Outlays

The District has historically funded its major capital improvements and repair needs through the issuance of taxpayer approved bonds. The last three bond levies were approved in 2004 (\$23.5 million, of which \$10 million is both issued and outstanding as of the date of this report), 1996 (\$12.7 million, all issued, \$8.7 million outstanding), and 1990 (\$10 million, all issued, \$3.6 million outstanding). The combined currently outstanding balance (\$22.3 million) of these general obligation bonds is serviced by a dedicated property tax currently approximating 3.77mills.

The District contemplates continuing the practice of utilizing either bond or permanent improvement levies as a means for financing its future capital needs. With the passage of the \$23.5 million bond issue in November 2004, the next such capital issue is not anticipated to occur before 2010.

III. NEIGHBORING DISTRICT COMPARISONS

In order to put expenditures and revenues in perspective, it is useful to compare the Shaker District with others. Section A3. of the Appendix includes three tables which list a variety of data for the Shaker Schools and neighboring school districts.

Shaker Heights will spend an estimated \$14,556 per pupil in fiscal year 2006, third highest of the ten comparison districts (Section 1, Table 1). Starting teacher salaries, a key measure of the District's ability to attract new talent to the schools, remain very competitive. In the comparison year Shaker paid its beginning bachelor-degreed teachers \$36,730 and beginning master-degreed

teachers \$39,301, fourth highest for both categories when compared to the neighboring districts (Section 1, Table 3).

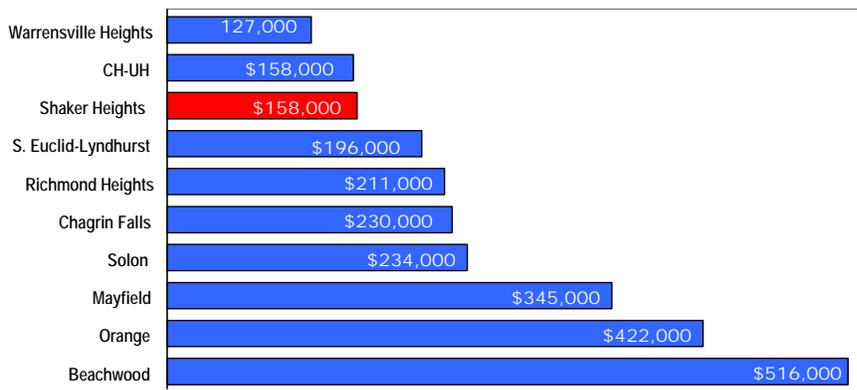
Shaker's student/teacher ratio (Section 1, Table 3) of 15.3 closely aligns with the state-wide average of 15.6. The composition of expenditures across functional categories for Shaker is roughly in the middle of the comparison group (Section 3, Table 1). It should be noted that the education and experience levels of teachers, which can vary significantly from district to district, have a direct impact on the per pupil expenditure level. Consequently, Shaker's second highest average teacher experience level (16 years), coupled with its third highest percentage of teachers with ten or more years of experience (65.9%) contributes to its fourth highest per pupil cost (\$14,127).

Incorporating planned budget reductions of \$4.5 million commencing in fiscal year 2007 and an additional \$1.3 million of continuing reductions in fiscal year 2008, Shaker's five-year compounded growth rate of expenditures (Section 1, Table 1) during the fiscal 2005 through fiscal 2010 period is the lowest of the comparison group. The Committee believes that Shaker's 3.9% compounded annual growth rate is quite favorable, given the projected rates of increase in salaries, benefits and other expenditures discussed in this report.

The per pupil property valuation (Section 1, Table 1) reflects a district's property wealth and its tax collecting capability. Shaker's per pupil valuation is the third lowest in the comparison group. This means that in order to generate per pupil revenues comparable to those of most neighboring communities, Shaker must have higher rates of taxation. For example, one mill in Beachwood yields the equivalent of 3.3 mills in Shaker (Beachwood per pupil \$516,000 ÷ Shaker per pupil \$158,000 = 3.3).

The first Section of Table 2 lists various measures of school performance. Shaker's score on the state-mandated report card for fiscal 2005 is 18 out of 23 with a rating of "effective". While the District remains committed to improvement in report card scores, no single measure adequately captures all the dimensions along which school

Taxable Value per Pupil 2003



Source: Ohio Department of Taxation

academic excellence. These achievements have been and continue to be a source of pride for our community.

Two other demographic breakdowns in Section 2, Table 2 indicate that Shaker falls roughly in the middle of the comparison group with regards to both the number of poverty level and limited English proficiency students in the district. These demographic factors require increased efforts to adequately educate such students.

systems must perform. For this reason, high school graduation rates, college attendance rates, average SAT exam scores, the number of advanced placement course offerings, and the number of National Merit Finalists are also included in the table for comparison purposes. In most of these categories, Shaker ranks at or near the top of neighboring districts.

The second Section of Table 2 presents the demographic characteristics of the student populations. We find that the percent of students having disabilities is roughly comparable across comparison districts. The notable exception to this pattern is Mayfield, which has programs that attract disabled students from other districts, including Shaker Heights.

Another demographic breakdown in Section 2, Table 2 concerns racial and ethnic groups. The vast majority of students in Shaker fall into either the African American or White categories. Indeed Shaker Heights (together with Cleveland Heights/University Heights, Richmond Heights, and Warrensville Heights) has a majority of “minority” students. Shaker Heights has gained national prominence for its various initiatives and achievements in building a school system that promotes ethnic and racial diversity as well as

IV. SCHOOL FINANCE ENVIRONMENT

A. State Funding

The core principle in Ohio’s approach to school financing is “shared responsibility.” Under this doctrine, the State provides funding at a fixed per pupil amount, less what a local 23 mill property tax generates. The formula for determining the State’s share has three basic elements: 1) the number of students in the school district, 2) the total per pupil cost of providing an “adequate” education, and 3) the calculated amount of money generated by a 23-mill school district property tax (the “chargeoff”).

The number of students in a school district is based on enrollment counts during the first full week of October. The cost of providing an “adequate” education is determined by the State and was set at \$5,169 per pupil (the “per pupil amount”) for fiscal year 2005. The per pupil amount was supplemented through fiscal year 2005 by a Cost of Doing Business factor (CODB) that attempted to adjust for regional differences in cost of living or the cost of procurement of goods and services. This factor was established by the State and was stated as a percentage of the per pupil amount on a county-by-county basis. The CODB percent was

6.26%, or \$324 per pupil, in Cuyahoga County for fiscal year 2005. The CODB is being phased out during the fiscal 2006-2007 biennium. (See **Section V**).

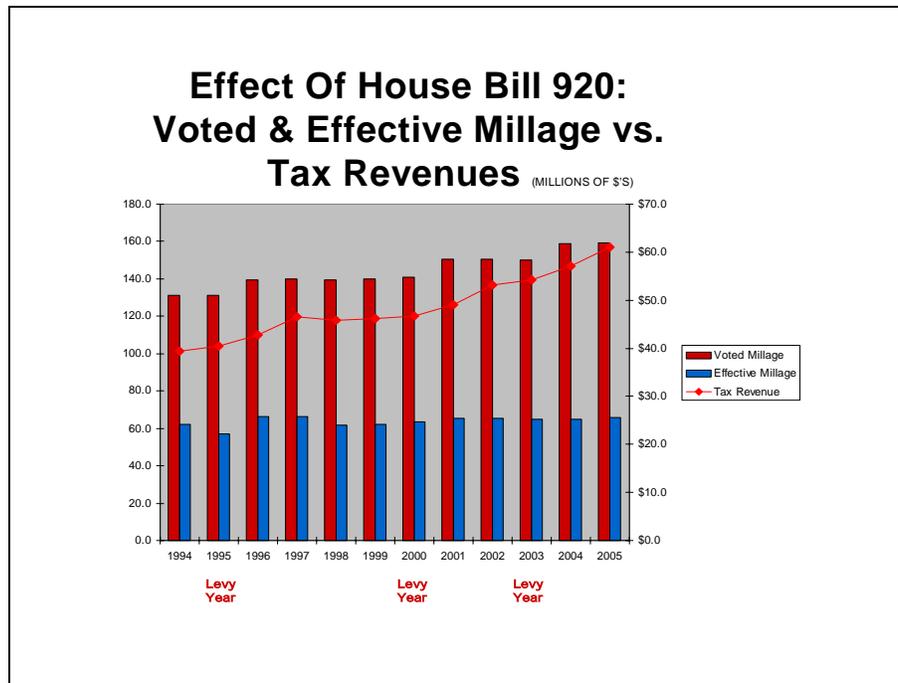
Thus, annual state funding is determined by multiplying the sum of the “adequate” education per pupil amount and the CODB dollar factor, by the number of school district students, from which is subtracted the calculated amount of revenue generated by a local property tax of 23 mills. The State funds this difference referred to as State Formula Aid.

This “shared responsibility” formula results in substantial variances amongst the school districts in the proportion of school funds provided by the State. Shaker Heights invests more than two and one-half times the State-mandated per pupil amount, and the State contributes only about 19% of the District’s revenues (excluding homestead exemption and rollback reimbursements).

House Bill 920, which became law in 1976, essentially prevents increases in property tax revenues to school districts as a result of an increase in property tax values. If, during the triennial reappraisal/update process, the value of existing properties increases, then the millage rate is reduced so as to assure that total tax revenues remain fixed. This new lower tax rate is called the “effective millage.” As the accompanying figure shows, tax revenues are flat until a new levy is passed. In other words, when property owners vote for a levy, they are voting for a continuous fixed dollar amount rather than for a set number of mills. Only through a new tax levy can school districts generate additional property tax revenues.

Although the majority of residential real estate property taxes in Shaker benefit the school district (about 69.7% in calendar 2005), the total Shaker property tax bill also includes taxes that are assessed by the City (10.5%), the County (14.2%) including RTA and others, and other entities (5.6%) such as the Library and the Metroparks. Because the impact of H.B. 920 affects primarily school districts, any increase in the property tax bills resulting from assessed value increases does not benefit the schools, but instead goes to the entities that are not affected by H.B. 920. Additionally, these other entities periodically place levies on the ballot, which, if passed, also increase residents’ tax bills, the proceeds of which do not go to the school district.

The end result of H.B 920 is that District revenues cannot automatically increase with the general rate of inflation. Consequently, the district’s revenue stream remains flat over the years between levies, while its expenses continue to rise. In order to remain fiscally solvent, the District is forced to submit to its residents periodic requests for an increase in property taxes.



B. Accountability Initiatives

School Legislation:

Since the late 1990’s, significant State legislation placed new burdens upon school districts

throughout Ohio. House Bill 412 required districts to allocate a set percentage of their revenues to be spent on textbooks and other instructional supplies, capital repairs and maintenance, and on establishing a rainy day reserve. Senate Bill 55 mandated that fourth-graders be held back if they do not pass the reading portion of the fourth-grade proficiency test. Although this hold-back provision was subsequently eliminated, other provisions including increased graduation and additional testing requirements continue to impose costs on the District.

The financial impact of the federal “No Child Left Behind” act is hard to assess, but additional testing and continuous improvement requirements are resulting in additional costs being incurred by the District. Such requirements may have unanticipated future financial ramifications as well.

C. Loss of Tax Revenues

Electric & Natural Gas Utility Deregulation:

Two bills enacted by the 123rd General Assembly reduced the assessment rates for some of the tangible personal property of electric utilities and all tangible personal property of gas utilities. The resulting loss of revenues is estimated to be \$300 million state-wide. School districts are being reimbursed for these losses for a five-year period beginning in calendar 2002, with some school districts receiving reimbursement for the subsequent ten years. After the reimbursement period has ended (projected to be 2007 for the District), the \$6.6 million assessed value reduction will result in an annual revenue loss of \$946,000 in current tax dollars. The District will have to replace these losses through other revenue sources.

Repeal Of Inventory Property Tax:

In mid 1999, the General Assembly approved legislation that repealed the inventory portion of the personal property tax. Under the phase-out plan, the inventory assessment rate of 25% was to be reduced 1% per year over a 25-year period. Unlike the public utility deregulation plan, there is no lost revenue reimbursement from the State. Once the phase-out is complete, the District will lose approximately \$500,000 annually in current tax dollars. These losses will also have to be replaced by other revenue sources. The State is

accelerating this phase-out beginning in 2006 (see Section V).

D. Legal Developments

State Funding Lawsuit (*DeRolph* Case):

In December 1991, the Ohio Coalition for Equity and Adequacy of School Funding, representing over 550 Ohio school districts filed a lawsuit, *DeRolph vs. Ohio*, that became synonymous with the state-wide attempt to accomplish public school funding reform in Ohio. The plaintiffs were successful in winning both at the local Perry County Common Pleas level in 1994, and in the subsequent appeals process which led to an unprecedented four Ohio Supreme Court rulings. The Courts’ ruled that the Ohio system of funding was unconstitutional and that it was neither “adequate” nor “equitable.” Unfortunately, the plaintiffs were **unsuccessful** in forcing the State of Ohio to “comply” with the Ohio Supreme Court orders, and in fact were denied a last ditch effort in October 2003, when the United States Supreme Court denied the plaintiffs motion to be heard on their enforcement request. The consensus opinion is that the *DeRolph* case is now moot.

During the last biennium, the State continued to struggle with the development of a constitutional school funding system primarily through the work of the Governor’s Blue Ribbon Task Force on Financing Student Success. The recommendations of the Task Force, which had failed to reach consensus on school funding improvements to provide a system that would be predictable, affordable, spend money effectively, and support student achievement, were only partially adopted and incorporated into House Bill No. 66, the state’s budget bill for the fiscal years 2006 and 2007 (see also Section V).

Vouchers and Charter Schools:

Public school systems face a loss of students and revenues from voucher programs (under which state funds are used to pay private school tuition) and charter schools (also known as community schools). Charter schools are publicly funded and privately operated schools established outside the confines of traditional public school systems in order to implement novel educational approaches and strategies. Although the U. S. Supreme Court ruled that Ohio’s voucher plan was constitutional,

the charter school program in Ohio has a greater impact on District finances. Currently, the funding for charter schools is taken from the public school of residence including the Shaker Schools, which will lose nearly \$500,000 in fiscal 2006 (as compared to \$72,000 in fiscal 2002).

V. A NEW ERA IN SCHOOL FINANCE

A. *Ohio Tax Reform- House Bill No. 66*

House Bill No. 66 (H.B. 66), the state's biennial budget for fiscal years 2006 and 2007, was adopted in June 2005. This legislation adopted sweeping changes in the State's tax structure. The most significant provisions impacting the District are the elimination of the Cost of Doing Business factor (CODB) portion of the State Formula Aid calculation, and the elimination of the tangible personal property tax.

The CODB is being phased-out over fiscal years 2006 and 2007. H.B. 66, however, provides for a "guarantee" or a floor (the fiscal 2005 State Formula Aid amount), below which school districts' funding will not fall during this biennium. Absent the continuation of this "guarantee" the District will lose approximately \$2 million per year. The District's five-year forecast has, however, been predicated upon the assumption that some form of "guarantee" will be extended beyond the end of this biennium, as has been the historical pattern with previous legislative modifications to the State Formula Aid calculation. Accordingly, the District has assumed a constant State Formula Aid revenue stream during the forecast period.

H.B. 66 also eliminates the tangible personal property tax. The tax, which applies to only commercial business entities, has in recent years generated about \$2 million per year for the District. The phase-out for the tangible personal property taxpayer begins with the 2006 tax collection year, in which approximately 75% of the traditional amount will be payable, followed by 50% and 25% in tax collection years 2007 and 2008, respectively, with no tax due in tax collection year 2009.

At the same time the personal property **tax** phase-out is occurring, the phase-in of the H.B. 66

personal property tax loss **reimbursement** mechanism will begin to make payments to school districts to help offset the loss of personal property tax collections. The reimbursement payments will coincide with the phase-out, and will in essence approximate the reciprocal percentage of the phase-out tax payment percentage (i.e. 25%, 50%, 75%, and 100% for the tax collection years 2006, 2007, 2008, and 2009, respectively). After a second 100% reimbursement in tax collection year 2010, the reimbursement payments will be phased-out over the ensuing five years.

Because personal property tax collections are unpredictable under normal circumstances, the exact impact of the tax phase-out and tax reimbursement phase-in is unknown at this time. However, the District's five-year forecast has been prepared assuming that the declining personal property tax collections in combination with the increasing tax loss reimbursement payments from the State will result in no net reduction of revenues during the forecast period (other than the previously enacted phase-out of the inventory and the exempt portions of the personal property tax).

B. *District Financial Past*

As recently as 1997, State support (excluding the Homestead Exemption and Rollback) amounted to only \$5.6 million, or 10.3% of General Fund revenues. As a result of legislative efforts to counter the arguments being litigated in the DeRolph court case, the State increased (and in some cases shifted) funding to (and amongst) school districts during the late 1990's and early 2000's. The District, because of its relatively small commercial tax base, benefited from this increased funding. Consequently, the State support peaked (in percentage terms) in 2002 when the District received \$14.3 million, or 20.6% of its General Fund revenues from State Formula Aid. Plainly stated, the District has become more reliant on State revenues, and thus less reliant on local revenues. With the implementation of H.B. 66, State support is expected to flat-line, and may even decline if the guarantee is discontinued or lowered after the end of the State's 2006-2007 biennium.

C. A School Finance “Perfect Storm”

Ohio school districts may already be falling victim to a school finance “perfect storm” if the following factors continue to remain unchecked:

- Continued erosion of the tax base through either legislative action or judicial rulings;
- Continued sluggish economic recovery in Ohio;
- Flat-lining or declining level of State support to school districts; and
- Continued explosive growth in the costs of health care, energy, and special education.

D. District Financial Future

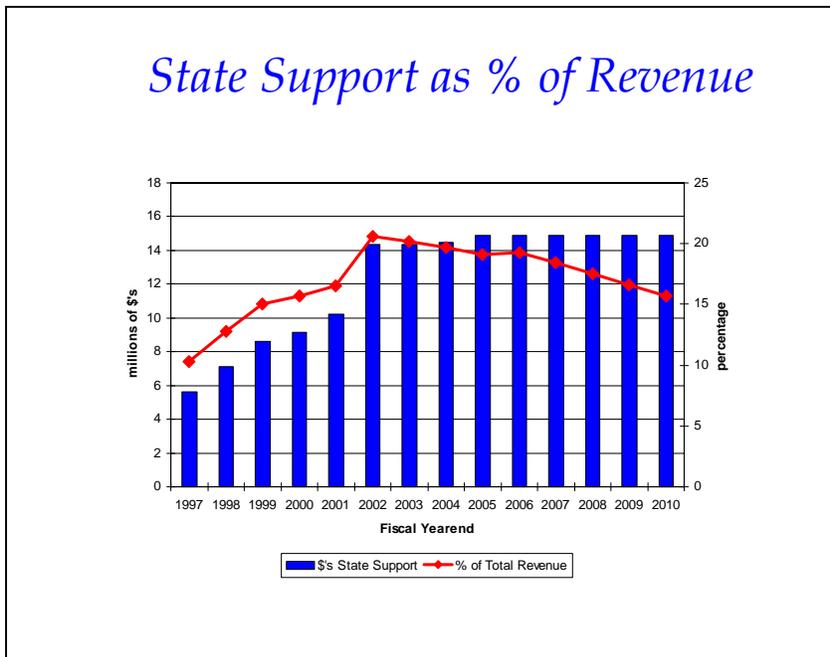
The District’s financial forecast reveals the need for additional revenues. District expenditure levels are expected to continue to increase at a compounded growth rate of 3.9 percent (after planned reductions) during the next five years, while revenues are expected to remain flat. With this in mind, the Board of Education is pursuing ways to reduce the budget to minimize any operating revenues it may need to seek through voter-approved ballot issues.

million beginning in fiscal 2008, and 2) the passage of additional operating levies approximating 9.9 mills each in 2006 and 2008, estimated to yield approximately \$8.6 million and \$9.5 million per year, respectively. It is important to note that the longer the timeframe, the less certain the projections. An improvement in the state funding situation, for example, could result in a delay of the second levy.

VI. RESPONSIBLE STEWARDSHIP

A. Cost Containment Efforts

Responsible stewardship requires that the Board continually press for savings in the school budget that do not influence the quality of educational programs. Indeed, the achievement of cost efficiencies is one of the performance measures the Board uses in its annual evaluation of the Superintendent and Treasurer. In addition to the budget savings discussed above, some examples of how the District has contained costs are:



The District’s current five-year forecast (www.shaker.org/news/financial/5yrForecast2006-2010.pdf on the District’s website) adopted in October by the Board of Education rests on the following forecast assumptions: 1) the implementation of ongoing budget reductions of \$4.5 million in fiscal 2007, with an additional \$1.3

- In 1995, the Board of Education unilaterally adopted cost containment caps that limited the total growth in expenditures to a pre-determined formula amount consisting of the Consumer Price Index and the rate of increase in projected number of pupils. These spending caps were renewed in 2000, and the District has successfully operated under spending limits since then.
- The District has continuously monitored its health care benefit costs, and as a result the District added a Preferred Provider Organization choice for its employees. This option has a lower cost structure than the traditional comprehensive plan. Estimated annualized savings from this change amount to \$500,000.
- The District began electing a contingent premium option available from its primary

health insurance carrier, which enabled the District to save a five-year cumulative total of \$1,091,000 since fiscal 2001.

- The District played a lead role in establishing a prescription drug consortium for governmental entities, which saves the District an estimated \$75,000 to \$100,000 per year attributable to higher negotiated drug discounts. Since October 2003, the District has also benefited from lower processing and dispensing fees negotiated by the consortium resulting in annual savings approximating \$20,000.
- The District participates in the retrospective rating program (a semi-self insurance arrangement) for its workers' compensation requirements. For the 1991 through 1993 and 1999 through 2004 workers' comp retrospective years, the District has saved a cumulative amount approximating \$1.4 million (excluding any interest earned on the set-aside funds during the intervening years) by participating in the retro plan versus the premium-based plan offered by the Bureau of Workers' Compensation.
- The District participates in a purchasing consortium of school districts that leverages high volume to win reduced prices from suppliers. The District uses the consortium to purchase energy (including electricity and natural gas), insurance (including liability, auto, and boiler policies) and telecommunications program. Additionally, the District acquires such large, commodity items as school buses through the consortium. Estimated annual savings resulting from the District's participation in the consortium range from \$155,000 to \$200,000.
- The District recently put additional measures into place to conserve natural gas, electricity, and bus fuel. These measures include setting thermostats at 66 to 68 degrees during the school day and at 60 degrees at night; turning off lights when not in use; redesigning bus routes for greater fuel efficiency; and limiting idling time for buses.

B. Pursuit of Outside Funding

The District has aggressively pursued outside funding through federal, state, and foundation grants averaging about \$2.2 million per year. The District has been very successful at obtaining specialized grants, including approximately \$1 million over six years from the Cleveland and George Gund Foundations for expanded efforts to enhance minority student performance in the District.

The District enjoys a unique relationship with the Shaker Schools Foundation, a Section 501(c)3 nonprofit organization established with the sole purpose of benefiting the Shaker Heights City Schools. The Foundation disburses over \$15,000 annually in enrichment grants and student awards. Additionally, through the annual "Night for the Red & White" fund-raising formal event, the District schools have received annual payments averaging over \$120,000 earmarked to fund building level technology or arts activities.

The District has sought and received other sources of revenue including a cumulative \$500,000 of E-Rate funds. E-Rate is a federal telecommunication subsidy payment instituted in the late 1990's dedicated for educational institutions.

Additionally, the District has aggressively pursued special education cost reimbursement avenues including from local, state and federal sources. Such special education reimbursements have resulted in District revenues averaging in excess of \$800,000 annually during the last three years.

VII. STUDENT SUCCESS

A. Continuous Improvement Plan

In an ongoing effort to enhance effectiveness and efficiency, staff members developed a Continuous Improvement Plan for the Shaker Heights City Schools. The plan guides the process of achieving and measuring improvement in educational performance. Input for this document came from the Board of Education, business representatives, students, parents, faculty members, and residents of the Shaker Heights community. The plan identifies seven key areas for improvement: curriculum and instruction; academic achievement; assessment and evaluation; professional development; student

services; facilities and learning environments; and parent/community involvement. It includes mission and vision statements for the School District along with priority areas, performance goals, strategies, individuals responsible, timelines, and funding sources. The Continuous Improvement Plan was presented to the Board of Education, posted on the School District's website and made available to interested members of the community.

B. Academic Initiatives

Helping each student reach his/her potential academically continues to be the paramount goal of the District. Building on the adoption of the Continuous Improvement Plan and the National School Boards Association's achievement initiatives, student achievement issues remain a major focus of the Board, with formal presentations made at regular and special Board meetings.

B1. Instruction

The District continues to study, plan, and implement instructional initiatives aimed at improving the academic achievement of all students. Current instructional initiatives include:

- extended time in the form of tutoring before and after school;
- an enhanced kindergarten resource program providing early intervention in literacy;
- an intensified focus on literacy and mathematics instruction;
- study circles that encourage and support students in pursuing Honors and Advanced coursework;
- increased efforts to help students prepare for the Ohio achievement and graduation tests;
- the expansion of a team teaching approach at the secondary school level;
- efforts to increase parental and community involvement;
- highly focused professional development activities; and
- collaboration with the City of Shaker Heights, the Shaker Heights Public Library, and nonprofit community agencies concerned with the welfare of youth.

B2. Technology

Recognizing the benefits of technology in the classroom, additional investments have been made to enhance the District's computer network. The network currently consists of 36 servers and approximately 1,100 client machines on a network of 12 buildings. Use of the network continues to grow in terms of administrative and educational applications. Current areas of focus are improvement of the reliability of the network and integration of technology in the classroom.

B3. Curriculum & Instructional Planning

Each summer, many teachers devote their energies to improving instruction throughout the School District. Instructional planning and curriculum writing are undertaken in the fields of mathematics, English/language arts, science, social studies, art, health, library, parent involvement, special education, senior projects, foreign language, home economics, interdisciplinary instruction, music, technology, program planning, conflict resolution, reading, marketing education, student achievement, proficiency intervention and theater. Continuing emphasis is placed on professional development, including efforts to refine and expand effective teaching practices.

B4. Professional Development

The District makes strategic investments in staff development aimed at improving student achievement. Over six years, the District has received approximately \$1 million from the Cleveland and George Gund Foundations to support efforts to improve minority achievement, with a heavy emphasis on professional development. This includes in-house training as well as faculty work with researchers from Harvard University and colleagues from similar school districts across the nation under the auspices of the Minority Student Achievement Network (MSAN).

B5. Focus on "Students in the Middle"

The District is in the early stages of developing a statistical profile of "students in the middle," -- students who are neither at the top nor the bottom of the class academically. Preliminary analysis indicates that Shaker's "students in the middle" perform well above state and national averages on standardized tests, are accepted into a wide range

of selective colleges, and participate in co-curricular activities at a higher-than-average rate.

Students “in the middle” are served by a solid, rigorous core curriculum; excellent guidance services; and Shaker’s highly qualified faculty. Several years ago, the Bridges program, an interdisciplinary team approach, was created at the High School to address the needs of the “middle” student.

C. Student Achievements & Opportunities

With the support of faculty, parents, and local residents, our students continue to excel in academics, the arts, athletics, and community service. On average, 12 percent of the senior class at Shaker High School earn honors in the National Merit and National Achievement scholarship competitions, compared with 2 percent nationally. This high rate of success places Shaker near the top of Ohio schools.

Roughly 33 percent of eligible students at Shaker Heights High School take one or more Advanced Placement classes, compared with about 8 percent statewide. Based on their outstanding performance on the national Advanced Placement examinations, 126 Shaker students were named AP Scholars in October 2005. In May 2005, 335 sophomores, juniors, and seniors took 757 AP examinations, with 85 percent earning a score of 3 or higher, which usually is sufficient to earn college credit.

Shaker students continue to be sought after by colleges. More than 40 members of the Class of 2005 (over 10 percent) were accepted early into their first-choice colleges, including some of the most selective in the nation. About 90 percent of the graduating seniors plan to attend college after graduation.

The fine and performing arts, which have been shown to contribute significantly to students’ academic and personal growth, are considered “basics” in Shaker. Teams and individual students win numerous awards in music, foreign language, the fine and performing arts, mathematics, and science. The following are just a few highlights from 2004-05:

- More than 200 Shaker students won honors on national foreign language examinations. In Latin, perfect scores were earned by nine Middle School and High School students.
- A team of five students from Shaker Heights High School won the District championship in the second round of Fed Challenge 2005, a monetary-policy competition sponsored by the Federal Reserve Bank of Cleveland. The Shaker team will receive a trip to Washington, D.C., in May to compete for the national championship. Students will make monetary-policy recommendations to the Federal Open Market Committee when it meets to discuss and formulate U.S. monetary policy. Shaker has won the Cleveland Division six times and the Fourth District title four times in seven years.
- Three entries by seven Shaker Heights High School students finished in the top 15 in their respective divisions at the National History Day finals held in June at the University of Maryland, with some Shaker students finishing as high as fourth in the nation. A total of 16 Shaker students qualified to go to the national finals following an excellent showing at the state competition in May.

Additional opportunities that distinguish Shaker from other school districts include Shaker’s student exchange programs and the Asian Studies program. Shaker has exchange programs with schools in England, France, Germany, Japan, Russia, Mexico and, most recently, China. The Asian Studies program, developed and conducted in cooperation with the Cleveland Museum of Art, is one of only two such collaborations between a public school and a major museum in the United States.

Year-in and year-out, our student athletes achieve outstanding interscholastic success, while groups such as student council, Student Group on Race Relations, and Youth Ending Hunger involve many Shaker students in helpful community service activities.

VIII. CONCLUSIONS & RECOMMENDATIONS

1. The Committee concluded that the forecast assumptions used by the Treasurer are reasonable.

These assumptions necessarily involve some less-than-certain predictions about future revenue and cost increases. Noteworthy areas of uncertainty include:

- elimination of the personal property tax and the phase-out reimbursement payments to be received under the provisions of House Bill No. 66;
- sunset provisions that will end the reimbursement payments that help to offset the reduction in property tax revenues due to the deregulation of the electricity and natural gas industries;
- accelerated phase-out of the inventory portion of the commercial personal property tax under the provisions of House Bill No. 66;
- financial support beyond the current biennium from the State, given the provisions of House Bill No. 66 which eliminate the Cost of Doing Business Factor;
- continuing rapid growth in health insurance costs;
- unpredictability of energy costs, especially natural gas;
- increasing incidence and cost for special education services; and
- expanding state and federal mandates.

Even with these uncertainties, the District's five-year compounded annual growth rate for its forecasted budget averages a mere 3.9% (after planned budget reductions), which compares quite favorably with the neighboring district statistics.

2. The Committee concluded that additional operating revenue is needed in order to avoid a financial deficit.

During fiscal year 2006-07, the District's operating expenses are expected to exceed recurring operating income by **\$5.2 million** (after \$4.5 million of budget reductions) or 6.7% of income. During fiscal year 2007-08, the District's operating expenses are expected to exceed recurring

operating income by **\$8.2 million** (after \$5.8 million of budget reductions) or 10.7% of income. While the fiscal year 2006-07 operating deficit could be funded from the surplus accumulated during the fiscal years following the last operating levy in 2003, the remaining balance would be insufficient to provide adequate working funds for fiscal 2007-08. Without a levy, an additional \$6.8 million in reductions in fiscal 2007-08 (for combined reductions of \$12.6 million) would be required just to break even. Cuts of this magnitude would be devastating to the District's educational program.

3. The Committee recommends that the District continue to identify and implement cost-saving measures while remaining mindful of the importance of educational program integrity.

4. The Committee recommends that the District place an operating levy on the ballot in 2006.

APPENDIX

A1. ABOUT THE MEMBERS OF THE FINANCE & AUDIT COMMITTEE

Marilyn Eisele has over twenty-three years of financial and accounting experience and is currently the chief financial officer of Five Star Technologies. Over the past seven years, Eisele has advised and assisted numerous technology startup companies with the development and execution of evolving business models, strategic directions, financing, and business processes. Eisele has served as a CFO for more than eleven years to a variety of both public and private companies. After obtaining her undergraduate degree from Bowling Green State University, Eisele was with PricewaterhouseCoopers (formerly Coopers & Lybrand) for fifteen years serving both public and private companies with a specialization in mergers and acquisitions and high-growth businesses.

Kirby Freeman is an experienced banker having served in the business banking divisions of ShoreBank-Cleveland, and Huntington Banks. A graduate of Howard University with a bachelor's degree in print journalism, he holds an MBA in finance from New York University. He worked as a reporter for Reuters News Agency before moving into the business world. Mr. Freeman worked for four years at Standard & Poor's, where he gained experience in rating school districts and had an opportunity to become familiar with school finance in Ohio. Mr. Freeman also serves on the loan review committee of the Cleveland Citywide Development Corporation.

Andrew Jackson is a lead client partner for Accenture, in the Automotive and Industrial Equipment group. Mr. Jackson has more than 22 years of experience in providing business integration and technology consulting solutions for leading Fortune 500 companies. As the service line champion for the Finance and Performance Management discipline, he specializes in strategic visioning, re-engineering, and delivery of complex financial management solutions. He is a past member of the Accenture Board of Partners and was one of 26 Board members involved in orchestrating the Initial Public Offering (IPO) for Accenture in 2001. Mr. Jackson and his wife are the parents of a student at Shaker Heights High School.

Paul Carleton launched his investment banking career with McDonald & Co., in 1978 and became manager of the firm's Corporate Finance Department five years later. In 1989, he formed The Carleton Group, an investment banking firm specializing in mergers, acquisitions and financing. After four years, the firm was consolidated to form Carleton, McCreary, Holmes & Co., providing expertise in mergers, acquisitions, and financing expansions of middle-market companies, which was ultimately purchased by Key Bank. Mr. Carleton and his wife have had children in the Shaker public schools and in private schools. He served in 1989, 1992, and

1994 as a member of the School District's Citizens' Finance Review Committee, the predecessor to the Finance & Audit Committee.

James Rebitzer, Committee Chair, is Carlton Professor of Economics and chair of the economics department at the Weatherhead School of Management, Case Western Reserve University, with expertise in organizational economics, the economics of the labor markets, and the economics of negotiation and conflict resolution. Prior to coming to Cleveland, he was a faculty member at MIT's Sloan School of Management and at the University of Texas-Austin. Dr. Rebitzer holds a bachelor's degree from the University of Illinois at Urbana, and a doctorate from the University of Massachusetts at Amherst.

Karen Schuele is the Interim Associate Dean and Director of Graduate Business Programs in the Boler School of Business at the John Carroll University. Prior to that, Dr. Schuele served as an associate professor in the Department of Accountancy at the same university. She holds a bachelor's degree from Case Western Reserve University, a master's from the University of Texas-Austin, and a doctorate from Kent State University. Prior to joining the John Carroll faculty, she worked for two years at Price Waterhouse, now PricewaterhouseCoopers. Dr. Schuele is a past board member of the executive board of the Ohio Society of Certified Public Accountants.

Stephen Strnisha is the founder and principal of Strnisha Development Advisors, a real estate consulting firm specializing in public and private finance. Prior to that Mr. Strnisha served as chief financial and development officer of the Greater Cleveland Partnership, a group of corporate leaders who are committed to improving the long-term economic vitality of the region. A former finance director for the City of Cleveland, he earned a bachelor's degree in history from the University of Virginia and a master's in public administration from Syracuse University. Mr. Strnisha worked at Society Bank and as an analyst for Moody's, where he covered public entities. He is a citizen member of the City of Shaker Heights Finance Committee and a former member of the City of Cleveland's audit committee.

Two Board of Education members are also serving on the Committee:

F. Drexel Feeling, a member of the Shaker Heights Board of Education, is an attorney and partner with the Cleveland firm of Jones Day practicing in the area of intellectual property.

Trained as an electrical engineer, he spent eight years in engineering and management positions in the U.S. Air Force. Mr. Feeling holds a bachelor's degree in electrical engineering from the University of Pennsylvania, a master's in electrical engineering from Wright State University, and a law degree from The Ohio State University. He is active in the community having served on the boards of a number of local non-profit organizations. He and his wife have four children, three of which currently attend the Shaker Schools—a senior and a freshman at Shaker High School, and a seventh-grader at Shaker Middle School.

Freda J. Levenson is an attorney and volunteer. A graduate of Shaker Heights High School, Wellesley College, and the University of Michigan Law

School, Ms. Levenson is a former litigation partner at the Chicago law firm of Altheimer & Gray, a long time adjunct professor at the Case Western Reserve University Law School, and currently a Presidential Fellow in Case's SAGES program. She was elected to a third four-year term on the Shaker Heights Board of Education in 2003 and is a past trustee of the Shaker Schools Foundation. Through her several years as the Board's legislative liaison and as a member of the National School Boards Association's Federal Relations Network, Ms. Levenson has developed considerable expertise in school funding. She has four children – two 2001 graduates, a 2004 graduate, and a Woodbury student.

A2. COMMITTEE REFERENCE MATERIAL LISTING

1. Finance & Audit Committee Charter & Insurance
2. Shaker Heights City School District Fact Book
3. Comprehensive Annual Financial Report (CAFR)
4. Financial Statements-Monthly
5. Five-Year Forecast
6. Annual Information Filing (General Obligation Bonds)
7. Annual Audit Reports
8. "Spending Caps" Information
9. Annual Appropriation Report (Budget)
10. Finance & Audit Committee December 2002 Report
11. Levy History-Operating & Capital
12. School Review - including "Annual Report"
13. School Review - other issues
14. Special Education Funding Issues Report
15. Ohio School Finance Handbook – Stable
16. Ohio School Foundation Funding Program
17. ODE SF-3 Report for Shaker Heights City School District
18. Ohio School Funding Case – *DeRolph*
19. "On The Money" - School Finance Information
20. Ohio Department of Taxation - Business Tax Incentives
21. Ohio Department of Taxation-Property Taxation & School Funding
22. Ohio Department of Taxation-Inventory Personal Property Tax Information
23. Ohio Department of Taxation-Public Utility Deregulation Information
24. Website Reference List

A3. Neighboring District Comparison Tables

TABLE 1 - FINANCIAL DATA

SOURCE	MEASURE	SHAKER RANK	SHAKER	BEACHWOOD	CHAGRIN FALLS	CLEVE HTS - UNIV HTS	MAYFIELD	ORANGE	RICHMOND HEIGHTS	SOLO	SOUTH EUCLID - LYNDHURST	WARRENSVILLE	OHIO
SECTION 1		(high to low)											
DISTRICT EXPENDITURE DATA:													
SF 3 - FY06 L.3 10/14/2005	STUDENT ENROLLMENT	2	5,638	1,423	1,878	6,326	3,694	2,185	1,106	5,106	4,509	2,677	
Oct 2005 5-YR FORECAST	FY 06 FORECAST EXPENDITURES	2	\$82,069,352	\$27,380,014	\$19,525,025	\$87,396,147	\$53,657,649	\$40,628,213	\$11,861,934	\$57,810,350	\$50,265,323	\$33,587,565	
Exp./St.Enrollment	FY06 FORECAST EXP/PUPIL	3	\$14,556	\$19,243	\$10,395	\$13,814	\$14,524	\$18,590	\$10,722	\$11,323	\$11,147	\$12,548	
Oct 2005 5-YR FORECAST	5 YR COMPOUNDED GROWTH RATE: FY05 TO FY10	9 tie	3.9%	4.5%	4.1%	6.1%	5.7%	6.9%	3.9%	5.3%	4.5%	4.8%	
DISTRICT TAX BURDEN:													
OHIO DEPT TAXATION TY 2004	DISTRICT GROSS MILLS - TY 2004	1	159.20	77.60	99.60	129.60	71.50	86.10	78.60	68.40	89.80	89.40	50.18
	DISTRICT EFFECTIVE MILLS - TY 2004	1	65.93	32.51	41.58	59.52	33.76	42.91	36.86	36.25	42.77	54.41	30.04
Oct 2005 5-YR FORECAST	FORECASTED NEED FOR NEW \$'s		2006	2008	2007	2008	2007	after 2010	2006	2008	2008 or 09	2009	
Oct 2005 5-YR FORECAST	LAST OPERATING LEVY		2003	2005	2003	2004	2004	2004	2003	2005	2005	2004	
	# of YEARS BETWEEN LEVIES		3	3	4	4	3	6+	3	3	3 or 4	5	
DISTRICT WEALTH DATA:													
OHIO DEPT TAXATION 2003	PER PUPIL PROPERTY VALUATION-TY 2003	8	\$157,838	\$515,948	\$229,724	\$157,788	\$345,011	\$422,234	\$210,910	\$234,000	\$196,450	\$126,854	\$126,275
OHIO DEPT TAXATION 2003	MEDIAN ADJUSTED GROSS INCOME- 2003 (per return filed)	5	\$41,357	\$43,738	\$50,997	\$35,285	\$34,007	\$58,539	\$31,636	\$44,140	\$35,344	\$25,678	\$29,706
OHIO DEPT TAXATION 2003	AVERAGE ADJUSTED GROSS INCOME- 2003 (per return filed)	4	\$95,982	\$100,111	\$126,360	\$56,268	\$63,537	\$187,468	\$43,732	\$79,126	\$46,801	\$30,804	\$50,263
PER PUPIL EXPENDITURES-BY OBJECT:													
FYE 2004-05													
	SALARY & WAGES	4	\$8,722	\$10,608	\$7,104	\$8,765	\$6,727	\$10,035	\$5,052	\$7,103	\$6,347	\$5,752	
	FRINGE BENEFITS	4	2,885	3,652	2,067	3,341	2,111	3,576	1,832	2,458	2,355	2,158	
Oct 2005 5-YR FORECAST	PURCHASED SERVICES	3	1,821	2,415	1,034	1,562	1,430	1,570	2,052	881	1,249	1,798	
	SUPPLIES & MATERIALS	4	383	400	320	511	367	490	283	331	322	288	
	CAPITAL OUTLAY	5	85	62	105	80	352	262	88	74	14	10	
	DEBT SERVICE	2	29	0	151	0	0	0	0	0	0	0	
	OTHER OBJECTS	8	180	358	21	253	212	327	199	164	189	200	
	TRANSFERS OUT	10	22	267	181	242	481	84	309	28	121	546	
	TOTAL EXPENDITURES - \$'S	4	\$14,127	\$17,763	\$10,984	\$14,754	\$11,680	\$16,344	\$9,815	\$11,038	\$10,598	\$10,752	
	SALARY & WAGES	3	61.7%	59.7%	64.7%	59.4%	57.6%	61.4%	51.5%	64.4%	59.9%	53.5%	
	FRINGE BENEFITS	6	20.4%	20.6%	18.8%	22.6%	18.1%	21.9%	18.7%	22.3%	22.2%	20.1%	
Oct 2005 5-YR FORECAST	TOTAL SALARY & BENEFITS	4	82.2%	80.3%	83.5%	82.1%	75.7%	83.3%	70.1%	86.6%	82.1%	73.6%	
	ALL OTHER EXPENSES	7	17.8%	19.7%	16.5%	17.9%	24.3%	16.7%	29.9%	13.4%	17.9%	26.4%	
	AS % OF TOTAL EXPENDITURES		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

A3. Neighboring District Comparison Tables

TABLE 1 - FINANCIAL DATA, continued

SOURCE	MEASURE	SHAKER RANK	SHAKER	BEACHWOOD	CHAGRIN FALLS	CLEVE HTS - UNIV HTS	MAYFIELD	ORANGE	RICHMOND HEIGHTS	OLON	SOUTH EUCLID - LYNDHURST	WARRENSVILLE	OHIO
SECTION 2		(high to low)											
PER PUPIL REVENUES FYE 2004-05:													
ODE REVENUE DATA	LOCAL FUNDS-primarily property taxes	4	\$9,960	\$14,954	\$8,346	\$9,164	\$10,000	\$14,934	\$8,295	\$9,139	\$7,674	\$6,149	\$4,425
	STATE FUNDS-primarily state foundation	3	\$4,065	\$2,513	\$2,193	\$4,538	\$1,685	\$2,550	\$2,168	\$1,530	\$2,643	\$4,810	\$4,298
	FEDERAL FUNDS-non grant monies	3	\$461	\$311	\$240	\$1,250	\$393	\$296	\$153	\$222	\$438	\$809	\$781
	TOTAL REVENUE PER PUPIL-\$'S	4	\$14,486	\$17,778	\$10,779	\$14,952	\$12,078	\$17,780	\$10,616	\$10,891	\$10,755	\$11,768	\$9,504
ODE REVENUE DATA	LOCAL FUNDS-primarily property taxes	8	68.8%	84.1%	77.4%	61.3%	82.8%	84.0%	78.1%	83.9%	71.4%	52.3%	46.6%
	STATE FUNDS-primarily state foundation	3	28.1%	14.1%	20.3%	30.4%	14.0%	14.3%	20.4%	14.0%	24.6%	40.9%	45.2%
	FEDERAL FUNDS-non grant monies	5	3.2%	1.7%	2.2%	8.4%	3.3%	1.7%	1.4%	2.0%	4.1%	6.9%	8.2%
	TOTAL REVENUE PER PUPIL-%		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SECTION 3

PER PUPIL EXPENDITURES-BY FUNCTION:													
FYE 2004-05													
ODE EXPENDITURE DATA	INSTRUCTION	3	\$7,177	\$9,091	\$5,817	\$6,997	\$6,255	\$8,358	\$5,246	\$6,409	\$5,879	\$5,622	\$5,006
	BUILDING OPERATIONS	4	\$2,997	\$3,928	\$2,162	\$3,578	\$2,278	\$3,295	\$2,071	\$2,132	\$2,367	\$2,230	\$1,685
	ADMINISTRATION	4	\$1,806	\$2,480	\$1,438	\$1,774	\$1,179	\$1,814	\$1,405	\$1,114	\$1,201	\$1,833	\$1,153
	PUPIL SUPPORT	5	\$1,711	\$2,131	\$1,182	\$2,107	\$1,788	\$2,095	\$1,022	\$1,160	\$1,021	\$928	\$913
	STAFF SUPPORT	2	\$436	\$133	\$385	\$298	\$180	\$782	\$71	\$223	\$130	\$139	\$271
	TOTAL EXPENDITURES PER PUPIL-\$'S	4	\$14,127	\$17,763	\$10,984	\$14,754	\$11,680	\$16,344	\$9,815	\$11,038	\$10,598	\$10,752	\$9,028
ODE EXPENDITURE DATA	INSTRUCTION	9	50.8%	51.2%	53.0%	47.4%	53.6%	51.1%	53.4%	58.1%	55.5%	52.3%	55.4%
	BUILDING OPERATIONS	4	21.2%	22.1%	19.7%	24.3%	19.5%	20.2%	21.1%	19.3%	22.3%	20.7%	18.7%
	ADMINISTRATION	5	12.8%	14.0%	13.1%	12.0%	10.1%	11.1%	14.3%	10.1%	11.3%	17.0%	12.8%
	PUPIL SUPPORT	4	12.1%	12.0%	10.8%	14.3%	15.3%	12.8%	10.4%	10.5%	9.6%	8.6%	10.1%
	STAFF SUPPORT	3	3.1%	0.7%	3.5%	2.0%	1.5%	4.8%	0.7%	2.0%	1.2%	1.3%	3.0%
	TOTAL EXPENDITURES PER PUPIL-%		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUNCTIONAL AREA DEFINITIONS:

- INSTRUCTION -Activities directly dealing with the teaching of pupils.
- BUILDING OPERATIONS -Activities concerned with the business operations of the district including physical plant, grounds, and equipment maintenance, transportation of pupils, and other non-instructional service areas.
- ADMINISTRATION -Activities associated with either building-level or district-level administrative responsibilities.
- PUPIL SUPPORT -Activities which are designed to assess and improve the well-being of pupils and to supplement the teaching process (e.g. guidance, health, psychological, speech pathology and audiology, social and other services).
- STAFF SUPPORT -Activities associated with assisting the instructional staff with the content and process of providing learning experiences for pupils (e.g. professional development and educational media services).

A3. Neighboring District Comparison Tables

TABLE 2 - STUDENT DATA

SOURCE	MEASURE	SHAKER RANK	SHAKER	BEACHWOOD	CHAGRIN FALLS	CLEVE HTS - UNIV HTS	MAYFIELD	ORANGE	RICHMOND HEIGHTS	OLON	SOUTH EUCLID - LYNDHURST	WARRENSVILLE
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SECTION 1 (high to low)

STATE PERFORMANCE MEASURES:

2004-2005 SCHOOL YEAR REPORT CARD	REPORT CARD SCORES RATING CATEGORY	EFFECTIVE	EXCELLENT	EXCELLENT	CONTIN. IMPROVE	EXCELLENT	EXCELLENT	EFFECTIVE	EXCELLENT	EFFECTIVE	ACADEMIC WATCH
	SCORE - 23 MAX	18	21	23	9	23	23	14	23	13	3
	GRADUATION RATE	98.7%	97.9%	100.0%	90.0%	96.2%	98.3%	93.2%	97.4%	98.0%	100.0%

COLLEGE PREPAREDNESS MEASURES:

DISTRICTS	COLLEGE ATTENDANCE RATE	90%	95%	94%	85%	70%	92%	90%	92%	90%	55%	
	SAT AVG. EXAM SCORES:	Points Back from Leader	Only Range Available									
	VERBAL	0	597	520- 640	580	515	537	562	490	559	503	425
	MATH	0	604	550- 690	600	510	558	582	503	571	520	387
	COMBINED SAT SCORES	0	1,201	1,170- 1,330	1,180	1,025	1,095	1,144	993	1,130	1,023	812
DISTRICTS	# of ADV. PLACEMENT COURSES	27	13	18	16	16	15	2	19	15	Fiscal 2005 3	
	# of NATIONAL MERIT & NATIONAL ACHIEVEMENT SEMI - FINALISTS	15	1	6	6	5	11	0	7	2	Fiscal 2005 0	

SECTION 2

STUDENT DEMOGRAPHIC DATA:

Ohio Dep't. of Education STUDENT DATA 2004-05	AFRICAN AMERICAN	4	52.1%	13.9%	1.0%	76.2%	8.4%	19.7%	57.7%	10.5%	42.7%	99.3%
	ASIAN	6	3.6%	7.3%	NC	1.2%	5.8%	4.8%	3.9%	7.9%	1.5%	NC
	HISPANIC	4	1.1%	1.5%	NC	0.6%	1.3%	NC	1.7%	0.6%	0.8%	NC
	MULTI RACIAL	2	4.3%	2.4%	1.3%	3.9%	2.3%	3.4%	4.8%	2.2%	3.7%	NC
	WHITE	7	38.9%	74.9%	97.7%	18.1%	82.2%	72.1%	31.9%	78.8%	51.3%	0.7%
	CATEGORY TOTAL - %		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2004-2005 SCHOOL YEAR REPORT CARD	MINORITY	4	61.1%	25.1%	2.3%	81.9%	17.8%	27.9%	68.1%	21.2%	48.7%	99.3%
	STUDENTS WITH DISABILITIES	6	15.0%	13.8%	12.8%	16.2%	23.6%	16.2%	9.6%	11.4%	15.7%	17.6%
Ohio Dep't. of Education STUDENT DATA 2004-05	ECONOMICALLY DISADVANTAGED	5	21.3%	3.7%	0.9%	48.7%	7.5%	8.2%	24.5%	3.4%	24.9%	24.4%
	LIMITED ENGLISH PROFICIENCY	5	1.4%	NC	0.6%	0.7%	2.9%	1.8%	3.3%	2.4%	0.4%	NC

NC=Not Counted, fewer than 10

Economically Disadvantaged=Students who qualify for free or reduced lunches under the Federal Lunch program.

Limited English Proficiency=Students for which English is their second language, and their assessed level in English is below the State's proficient level.

A3. Neighboring District Comparison Tables

TABLE 3 - STAFF DATA

SOURCE	MEASURE	SHAKER RANK	SHAKER	BEACHWOOD	CHAGRIN FALLS	CLEVE HTS - UNIV HTS	MAYFIELD	ORANGE	RICHMOND HEIGHTS	SOLOM	SOUTH EUCLID - LYNDHURST	WARRENSVILLE	OHIO
SECTION 1	FYE 2004-05 STAFF DATA:	(high to low)											
Ohio Dep't. of Education STAFF DATA	# OF TEACHERS		371.6	132.0	132.5	451.0	298.5	185.9	69.3	319.5	283.7	150.0	
	# OF STUDENTS		5,681	1,541	1,873	6,562	4,097	2,292	1,048	5,107	4,520	2,791	
	STUDENT/TEACHER RATIO		15.3	11.7	14.1	14.5	13.7	12.3	15.1	16.0	15.9	18.6	15.6
	AVG TEACHER SALARY	2	\$65,681	\$64,203	\$53,249	\$59,386	\$64,561	\$67,611	\$51,778	\$63,133	\$55,395	\$63,267	\$49,342
Ohio Dep't. of Education STAFF DATA	AVG TEACHER EXPERIENCE	2 tie	16	13	15	16	13	15	13	14	13	19	
	% with 0-4 years of experience	7	14.5%	31.8%	12.1%	14.9%	16.1%	17.2%	24.5%	14.1%	21.5%	6.0%	22.6%
	% with 5-9 years of experience	7	19.6%	12.1%	34.0%	20.8%	21.8%	15.6%	31.7%	21.9%	24.0%	14.0%	20.3%
	% with 10+years of experience	3	65.9%	56.1%	53.9%	64.3%	62.1%	67.2%	43.8%	64.0%	54.5%	80.0%	57.1%
Ohio Dep't. of Education STAFF DATA	Starting Salary-Bachelors	4	\$36,730	\$37,020	\$35,247	\$34,400	\$35,600	\$37,253	\$34,074	\$36,819	\$33,228	\$32,073	\$28,671
	Starting Salary-Masters	4	\$39,301	\$42,932	\$36,657	\$36,798	\$37,893	\$41,124	\$36,875	\$39,989	\$36,551	\$35,441	\$31,798

A4. SHAKER HEIGHTS CITY SCHOOL DISTRICT
General Fund-Financial Statement
Fiscal Year Ending
June 30, 2005

	Month of June				Year-To-Date June				Year-To-Date June		
	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	\$0	\$0	\$0	#DIV/0!	\$51,293,983	\$47,926,150	\$3,367,833	7.0%	\$51,823,687	(\$529,704)	-1.0%
Personal Property Taxes	125,030	84,826	40,204	47.4%	1,959,089	2,079,380	(120,291)	-5.8%	2,086,404	(127,315)	-6.1%
Investment Earnings	65,148	28,800	36,348	126.2%	455,677	288,773	166,904	57.8%	292,121	163,556	56.0%
Other Local	542,497	62,132	480,365	773.1%	1,310,572	1,440,935	(130,363)	-9.0%	1,435,000	(124,428)	-8.7%
State Foundation	1,322,047	1,510,628	(188,581)	-12.5%	14,369,177	13,769,759	599,418	4.4%	13,625,000	744,177	5.5%
Homestead Exemption & RollBack	3,398,459	3,369,860	28,599	0.8%	6,788,473	6,321,510	466,963	7.4%	6,350,000	438,473	6.9%
Other State	437,418	122,110	315,308	258.2%	1,293,612	1,496,229	(202,617)	-13.5%	1,471,478	(177,866)	-12.1%
Federal-primarily Medicaid	69,020	20,567	48,453	235.6%	488,833	250,950	237,883	94.8%	205,000	283,833	138.5%
Transfers & Advances In	0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	#DIV/0!
TOTAL REVENUE	5,959,619	5,198,923	760,696	14.6%	77,959,416	73,573,686	4,385,730	6.0%	77,288,690	670,726	0.9%
	0	0	0		0	0	0		0	0	
EXPENDITURES:											
Salaries & Wages	4,126,595	3,934,454	192,141	4.9%	47,642,292	46,146,839	1,495,453	3.2%	48,033,000	(390,708)	-0.8%
Fringe Benefits:											
Health Insurance	611,110	394,787	216,323	54.8%	7,469,720	6,240,549	1,229,171	19.7%	7,101,000	368,720	5.2%
Retirement Expense	772,415	597,717	174,698	29.2%	7,291,230	6,997,524	293,706	4.2%	7,280,000	11,230	0.2%
All Other Fringes	(103,486)	94,955	(198,441)	-209.0%	996,329	1,150,439	(154,110)	-13.4%	1,195,000	(198,671)	-16.6%
Total Fringe Benefits	1,280,039	1,087,459	192,580	17.7%	15,757,279	14,388,512	1,368,767	9.5%	15,576,000	181,279	1.2%
Purchased Services:	0	0	0		0	0	0		0	0	
Utilities	64,926	56,249	8,677	15.4%	1,361,924	1,410,264	(48,340)	-3.4%	1,452,000	(90,076)	-6.2%
Out-of-District Tuition	831,291	805,050	26,241	3.3%	4,136,787	3,069,950	1,066,837	34.8%	3,501,000	635,787	18.2%
Pupil Transportation	173,265	160,667	12,598	7.8%	1,442,363	1,440,491	1,872	0.1%	1,520,000	(77,637)	-5.1%
All Other Purchased Services	225,994	144,945	81,049	55.9%	3,008,670	2,966,115	42,555	1.4%	3,014,000	(5,330)	-0.2%
Total Purchased Services	1,295,476	1,166,911	128,565	11.0%	9,949,744	8,886,820	1,062,924	12.0%	9,487,000	462,744	4.9%
Materials & Supplies	158,827	125,547	33,280	26.5%	2,090,676	2,014,292	76,384	3.8%	2,034,000	56,676	2.8%
Capital Outlay	14,896	20,888	(5,992)	-28.7%	463,183	426,739	36,444	8.5%	431,000	32,183	7.5%
Other-primarily Cty.Aud.&Treas.Fees	42,565	29,006	13,559	46.7%	984,909	981,339	3,570	0.4%	991,000	(6,091)	-0.6%
Transfers & Advances Out	31,700	500	31,200	6240.0%	281,912	252,712	29,200	11.6%	255,511	26,401	10.3%
TOTAL EXPENDITURES	6,950,098	6,364,765	585,333	9.2%	77,169,995	73,097,253	4,072,742	5.6%	76,807,511	362,484	0.5%
	0	0	0		0	0	0		0	0	
Net Revenues/(Expenditures)	(990,479)	(1,165,842)	175,363	-15.0%	789,421	476,433	312,988	65.7%	481,179	308,242	64.1%
Cash, Beginning of Period	14,200,903	13,586,845	614,058	4.5%	12,421,003	11,944,570	476,433	4.0%	12,421,003	0	0.0%
Cash, End of Month	13,210,424	12,421,003	789,421	6.4%	13,210,424	12,421,003	789,421	6.4%	12,902,182	308,242	2.4%
	0	0	0		0	0	0		0	0	
Less O/S Encumbrances	1,573,239	1,935,723	(362,484)	-18.7%	1,573,239	1,935,723	(362,484)	-18.7%	1,935,723	(362,484)	-18.7%
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	\$11,284,115	\$10,132,210	\$1,151,905	11.4%	\$11,284,115	\$10,132,210	\$1,151,905	11.4%	\$10,613,389	\$670,726	6.3%
	0	(1)	0		0	0	0	0.0%	0	0	0.0%
Total General Obligation Debt Outstanding					\$22,525,933	\$13,717,774					