

SHAKER HEIGHTS BOARD OF EDUCATION
SHAKER HEIGHTS, OHIO

March 3, 2005

TO: Members, Shaker Heights Board of Education
FROM: Bryan C. Christman, Treasurer
SUBJECT: Financial and Miscellaneous Briefs

I. GENERAL FUND (As of February 28, 2005)

A. REVENUE

1. **Real Estate Taxes:**

\$1,916,711 or 4.2% more than taxes received as of February 2004. 91.1% of estimated real estate tax collections have been received to date. Last year at this time, we had received 94.0% of the estimated taxes. The increased collections are due to the new 9.6 mill operating levy, which began in January 2004.

Unfortunately the third advance did not provide any improvement in our collections thereby resulting in an unfavorable budget variance for February YTD amounting to \$1.96 million. This variance consists of two pieces. The \$610,000 shortfall from budget for the six-months ended December 31, 2004, and a \$1.35 million unfavorable variance for the months of January and February.

Absent a substantial increase in the May settlement, it appears as though the County's lowered tax collection projections have come true.

We will continue to research and monitor the situation and report as additional information becomes available.

2. **Personal Property Taxes:**

\$159,254 or 8.6% less than taxes received at this time last year. 81.4% of the estimated tangible tax has been received to date. Last year at this time, we had received 84.5% 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 \$160,815 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:

\$230,560 received this year, which is \$30,990 or 15.5% more than received at this time last year. 78.9% of estimated interest income has been received to date. Last year at this time, we had received 49.9% 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 2.50% on February 2nd. The Federal Reserve is anticipated to increase rates at future meetings, possibly at both their March 22nd and May 3rd meetings.

4. Other Local:

This category is below both prior year and budget due primarily to 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 \$367,675 or 4.1% more than those of one year ago. 67.9% of estimated Foundation receipts have been received to date compared to 65.8% 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 fiscal year-to-date include \$508,919 for reimbursement of fiscal 2003 special education catastrophic costs. The reimbursement in 2005 is not expected until March or April due to a different State timeline for processing such payments.

Other State Sources for the current and prior year-to-date amounts include a semi-annual public utility property tax reimbursement of \$388,468 and \$388,739 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 \$319,869 through the end of February, which represents 156.0% of estimated federal sources as compared to only 44.1% received through February 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 efforts (as detailed in my November 8, 2004 memo) of the collective group of school districts to maintain the current Medicare reimbursement rates for fiscal 2005 were successful. The State recently announced that they would not reduce such rates thereby avoiding what would have been a significant reduction in revenue to the District. However, a new Medicaid reimbursement program for schools must be implemented by July 1st in order to maintain the existing rate reimbursement model. The cost of such implementation will be allocated to the participating school districts.

The latest development does not bode well for school districts, as the State is contemplating canceling the creation of the new reimbursement model for school districts. Unless state-wide efforts are successful, the Medicaid cost reimbursement program for school districts may end as of June 30, 2005.

7. Total Revenue:

\$2,043,759 or 3.3% more than the amount received during the prior fiscal year-to-date. 81.8% of estimated income has been received to date compared to 83.2% last year. The variance is primarily attributable to the increased tax collections.

B. EXPENDITURES

1. Salaries & Wages:

Payroll expenses as of February 28 represent a 3.1% increase over last year's payrolls for the same number of year-to-date pay dates. Payrolls averaged \$1,979,681 for the year-to-date vs. \$1,919,569 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 3.4% 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 \$498,206, which represent a \$207,400 or 71.3% increase over the prior YTD total of \$290,806.

2. Fringe Benefits:

Fringe benefit expenses are \$576,639 or 5.8% higher this fiscal YTD vs. the prior year, primarily due to a 10.3% YTD increase in health insurance.

3. Utilities:

Utility payments are \$137,091 or 13.2% 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 expenditures YTD are \$434,342 or 30.6% greater than the prior year, but remain about \$149,000 below the current YTD budget estimate. This positive variance is due to timing at this point.

5. Total Expenditures:

On a cash basis, total expenses were \$2,051,618 or 4.2% more than the YTD expenditure level for the prior fiscal year. This represents 66.0% of the estimated fiscal 2005 expenses with 66.0% of the budget year elapsed. Last year at this time, we had spent 66.3% of estimated annual expenses. The cash basis budget to actual variance is a negative \$23,253. This variance is believed at this time to be a timing difference in payments of expenses. Besides the increase in salaries of \$1,049,000, the variance vs. the prior year is primarily due to the following:

- \$468,000 increase in total health insurance costs;
- \$83,000 increase in retirement expense;
- \$434,000 increase in out-of-district tuition payments;
- \$137,000 decrease in utility payments due to reasons discussed above;
- \$63,000 increase in other purchased service line items; and
- \$4,000 decrease in materials and supplies.

The encumbrances (\$3,908,714 at February 28, 2005), which include \$2,070,868 for out-of-district tuition, are \$620,298 lower than the prior year, primarily attributable to a \$885,878 decrease in tuition encumbrances, partially offset by a \$101,113 increase in materials and supplies, and a \$68,519 increase in all other purchased services. These differences are considered due primarily to timing at this point.

II. CONCLUSIONS

1. Cash balance reflects an increase of \$468,574 from that of one year ago. This is due to the \$.5 million higher beginning-of-year balance, coupled with the \$0.0 million larger excess of revenue over expenditures for the current YTD vs. the prior YTD.
2. The \$2,817 cash deficit in Fund 020, Shaker Merchandise, is due to the purchase of merchandise for resale.
3. The \$57,618 cash deficit in Fund 463 is due to a delay in the receipt of a State cash reimbursement.
4. The \$216 cash deficit in Fund 573 is due to a delay in the receipt of a federal fund cash request from the State.

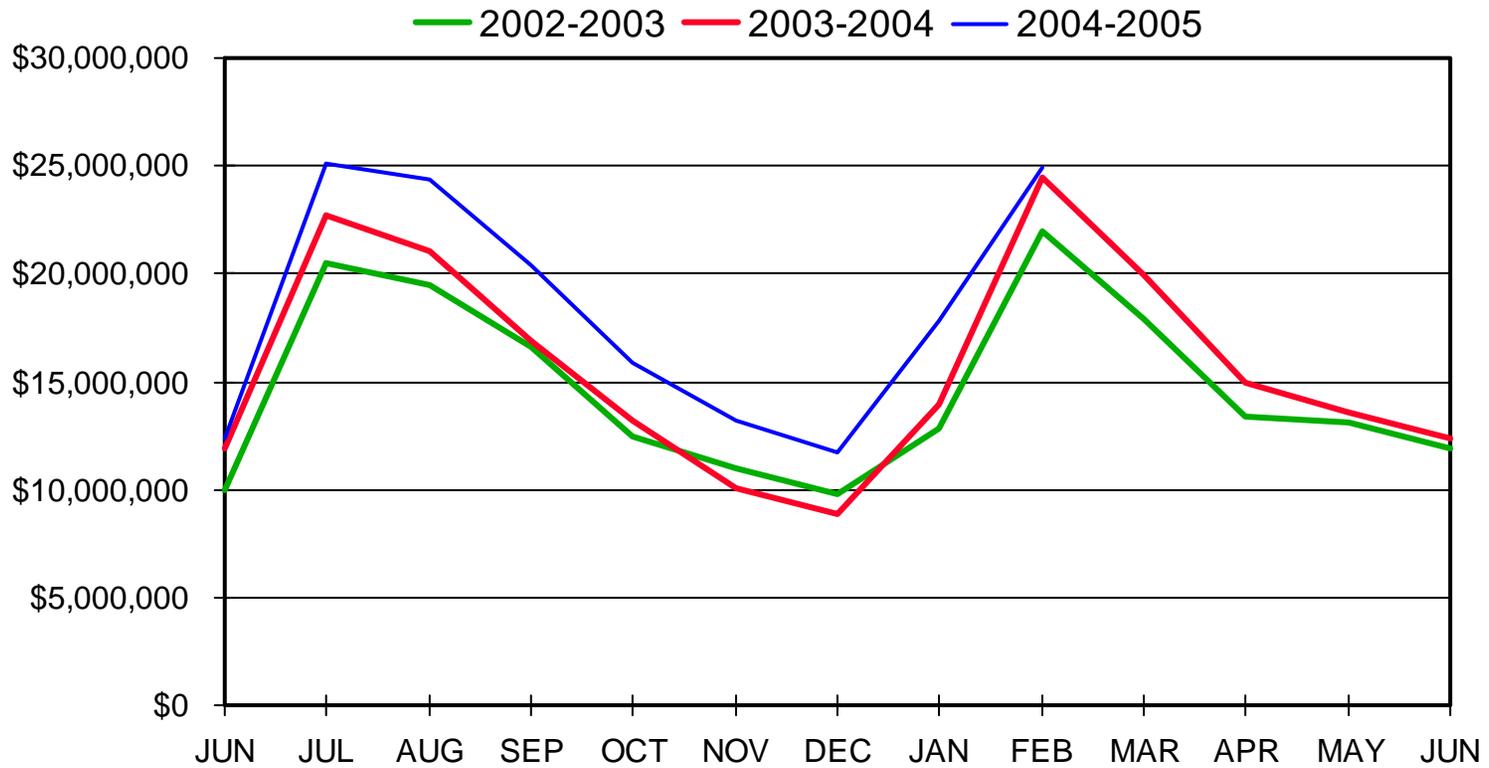
III. OTHER ITEMS

1. **Bond Issuance Update:**

In accordance with the schedule, we are proceeding with the bond issuance. On March 2nd, Superintendent Freeman, Peggy Caldwell, and I participated in a ratings meeting teleconference call with representatives from our underwriter, A.G. Edwards, our bond counsel, Squire, Sanders & Dempsey, and from our primary rating agency, Standard & Poors. Another abbreviated conference call with Moody's will take place early next week.

As part of our presentation to the rating agencies, we are requesting an upgrade in the current District rating, which if successful will result in lower interest costs on our soon-to-be issued bonds. We will be notified of the final ratings from the agencies next week.

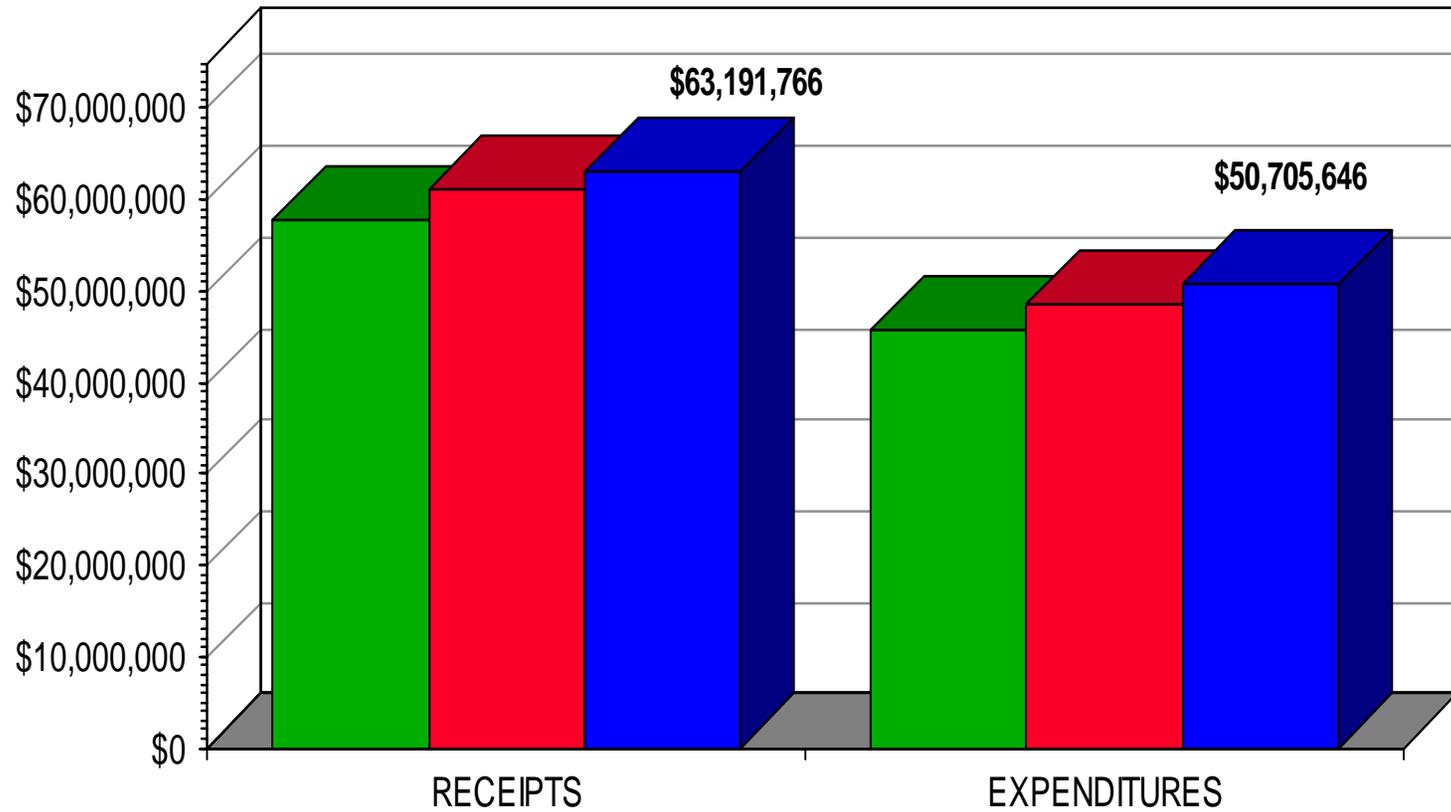
SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND CASH BALANCE



February 28, 2005

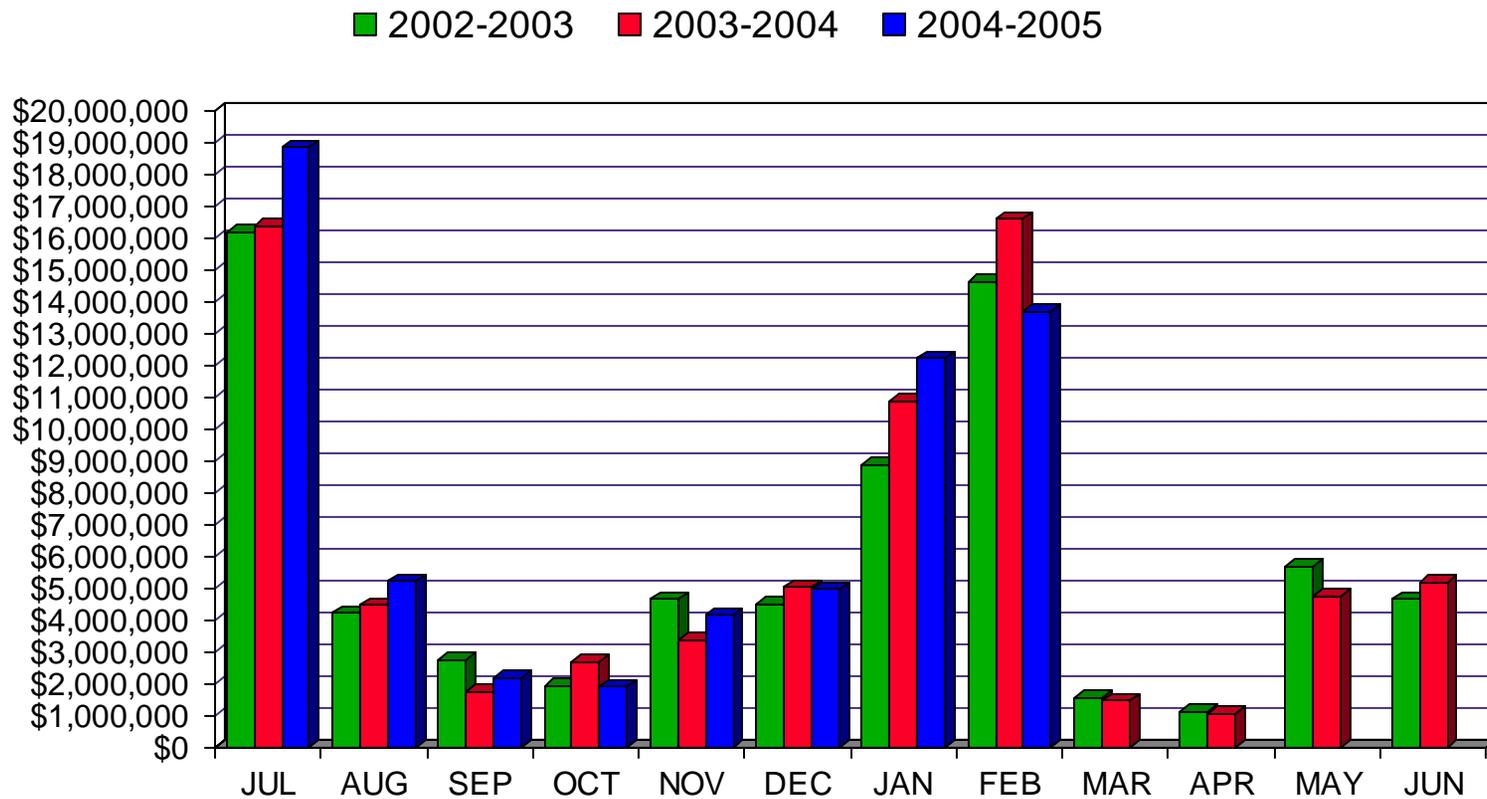
SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND

■ 2002-2003 ■ 2003-2004 ■ 2004-2005



February 28, 2005

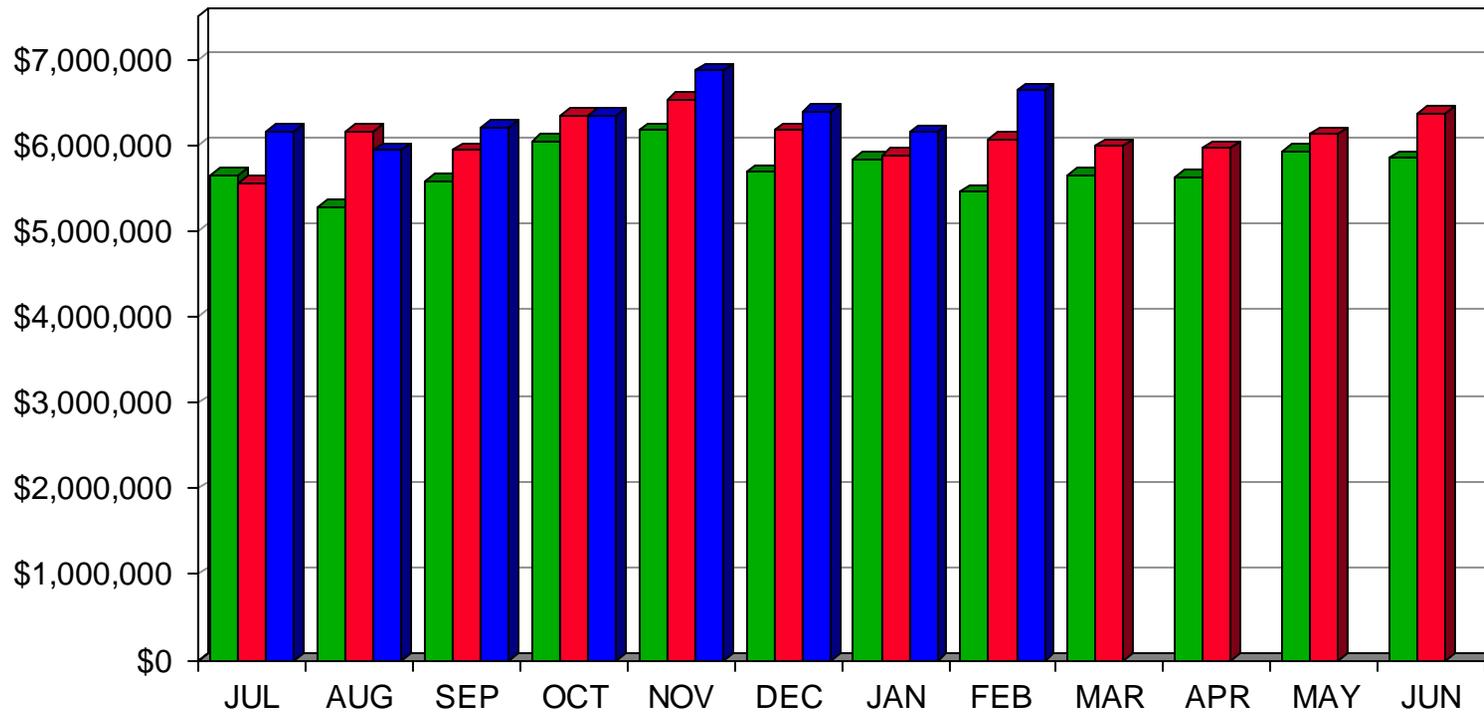
SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND RECEIPTS



February 28, 2005

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND EXPENDITURES

■ 2002-2003 ■ 2003-2004 ■ 2004-2005



February 28, 2005

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

FS08Feb05Web/SummaryFYE2005
3/17/2005

| | Month of February | | | | Year-To-Date February | | | | Year-To-Date February | | |
|--|---------------------|---------------------|--------------------|---------------|-----------------------|---------------------|--------------------|---------------|-----------------------|----------------------|---------------|
| | 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 | \$12,342,593 | \$15,507,091 | (\$3,164,498) | -20.4% | \$47,228,195 | \$45,311,484 | \$1,916,711 | 4.2% | \$49,188,687 | (\$1,960,493) | -4.0% |
| Personal Property Taxes | 0 | 0 | 0 | #DIV/0! | 1,699,185 | 1,858,439 | (159,254) | -8.6% | 1,860,000 | (160,815) | -8.6% |
| Investment Earnings | 63,936 | 22,654 | 41,282 | 182.2% | 230,560 | 199,570 | 30,990 | 15.5% | 192,000 | 38,560 | 20.1% |
| Other Local | 7,912 | 25,919 | (18,007) | -69.5% | 610,322 | 752,839 | (142,517) | -18.9% | 713,000 | (102,678) | -14.4% |
| State Foundation | 1,232,200 | 979,766 | 252,434 | 25.8% | 9,245,896 | 8,878,221 | 367,675 | 4.1% | 9,085,000 | 160,896 | 1.8% |
| 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 | 20,977 | 20,705 | 272 | 1.3% | 467,726 | 985,380 | (517,654) | -52.5% | 476,478 | (8,752) | -1.8% |
| Federal-primarily Medicaid | 27,692 | 51,642 | (23,950) | -46.4% | 319,869 | 210,424 | 109,445 | 52.0% | 185,000 | 134,869 | 72.9% |
| Transfers & Advances In | 0 | 0 | 0 | #DIV/0! | 0 | 0 | 0 | #DIV/0! | 0 | 0 | #DIV/0! |
| TOTAL REVENUE | 13,695,310 | 16,607,777 | (2,912,467) | -17.5% | 63,191,766 | 61,148,007 | 2,043,759 | 3.3% | 64,850,165 | (1,658,399) | -2.6% |
| | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 | 0 | |
| EXPENDITURES: | | | | | | | | | | | |
| Salaries & Wages | 4,043,951 | 3,867,242 | 176,709 | 4.6% | 31,758,556 | 30,709,174 | 1,049,382 | 3.4% | 31,723,181 | 35,375 | 0.1% |
| Fringe Benefits: | | | | | | | | | | | |
| Health Insurance | 614,278 | 547,865 | 66,413 | 12.1% | 5,023,277 | 4,555,738 | 467,539 | 10.3% | 4,933,000 | 90,277 | 1.8% |
| Retirement Expense | 605,661 | 585,359 | 20,302 | 3.5% | 4,740,000 | 4,656,857 | 83,143 | 1.8% | 4,803,000 | (63,000) | -1.3% |
| All Other Fringes | 139,167 | 86,707 | 52,460 | 60.5% | 817,408 | 791,451 | 25,957 | 3.3% | 815,000 | 2,408 | 0.3% |
| Total Fringe Benefits | 1,359,106 | 1,219,931 | 139,175 | 11.4% | 10,580,685 | 10,004,046 | 576,639 | 5.8% | 10,551,000 | 29,685 | 0.3% |
| Purchased Services: | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 | 0 | |
| Utilities | 152,037 | 182,193 | (30,156) | -16.6% | 904,648 | 1,041,739 | (137,091) | -13.2% | 999,000 | (94,352) | -9.4% |
| Out-of-District Tuition | 310,556 | 248,178 | 62,378 | 25.1% | 1,851,882 | 1,417,540 | 434,342 | 30.6% | 2,001,000 | (149,118) | -7.5% |
| Pupil Transportation | 150,454 | 134,259 | 16,195 | 12.1% | 850,451 | 814,725 | 35,726 | 4.4% | 909,000 | (58,549) | -6.4% |
| All Other Purchased Services | 354,095 | 251,824 | 102,271 | 40.6% | 2,112,795 | 2,085,712 | 27,083 | 1.3% | 2,009,000 | 103,795 | 5.2% |
| Total Purchased Services | 967,142 | 816,454 | 150,688 | 18.5% | 5,719,776 | 5,359,716 | 360,060 | 6.7% | 5,918,000 | (198,224) | -3.3% |
| Materials & Supplies | 194,231 | 105,261 | 88,970 | 84.5% | 1,512,733 | 1,516,617 | (3,884) | -0.3% | 1,389,000 | 123,733 | 8.9% |
| Capital Outlay | 28,272 | 49,202 | (20,930) | -42.5% | 349,597 | 329,015 | 20,582 | 6.3% | 315,000 | 34,597 | 11.0% |
| Other-primarily Cty.Aud.&Treas.Fees | 6,446 | 8,736 | (2,290) | -26.2% | 534,087 | 523,248 | 10,839 | 2.1% | 536,000 | (1,913) | -0.4% |
| Transfers & Advances Out | 40,000 | 0 | 40,000 | #DIV/0! | 250,212 | 212,212 | 38,000 | 17.9% | 250,212 | 0 | 0.0% |
| TOTAL EXPENDITURES | 6,639,148 | 6,066,826 | 572,322 | 9.4% | 50,705,646 | 48,654,028 | 2,051,618 | 4.2% | 50,682,393 | 23,253 | 0.0% |
| | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 | 0 | |
| Net Revenues/(Expenditures) | 7,056,163 | 10,540,951 | (3,484,788) | -33.1% | 12,486,121 | 12,493,979 | (7,858) | -0.1% | 14,167,772 | (1,681,651) | -11.9% |
| | | | | | | | | | | | |
| Cash, Beginning of Period | 17,850,961 | 13,897,598 | 3,953,363 | 28.4% | 12,421,003 | 11,944,570 | 476,433 | 4.0% | 12,421,003 | 0 | 0.0% |
| | | | | | | | | | | | |
| Cash, End of Month | 24,907,123 | 24,438,549 | 468,574 | 1.9% | 24,907,123 | 24,438,549 | 468,574 | 1.9% | 26,588,775 | (1,681,651) | -6.3% |
| | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 | 0 | |
| Less O/S Encumbrances | 3,908,714 | 4,529,012 | (620,298) | -13.7% | 3,908,714 | 4,529,012 | (620,298) | -13.7% | 4,529,000 | (620,286) | -13.7% |
| 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 | \$20,645,339 | \$19,556,467 | \$1,088,872 | 5.6% | \$20,645,339 | \$19,556,467 | \$1,088,872 | 5.6% | \$21,706,705 | (\$1,061,365) | -4.9% |
| | 0 | 0 | 0 | | 0 | 0 | 0 | 0.0% | 0 | 0 | 0.0% |
| Total General Obligation Debt Outstanding | | | | | \$12,675,939 | \$13,867,774 | | | | | |