

SHAKER HEIGHTS BOARD OF EDUCATION
SHAKER HEIGHTS, OHIO

November 2, 2005

TO: Members, Shaker Heights Board of Education

FROM: Bryan C. Christman, Treasurer

SUBJECT: Financial and Miscellaneous Briefs

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

A. REVENUE

1. **Real Estate Taxes:**

\$94,756 or 0.4% more than taxes received as of October 2004. 42.0% of estimated real estate tax collections have been received to date. Last year at this time, we had received 41.2% of the estimated taxes. The variance is due to timing in collections. The 2nd half settlement is expected later in November.

2. **Personal Property Taxes:**

\$279,504 or 19.0% less than taxes received at this time last year. 67.8% of the estimated tangible tax has been received to date. Last year at this time, we had received 70.5% of the estimated taxes. The variance is due to a \$46,401 lower first half settlement for this year as compared to 2004. \$38,963 is due to higher first half collections received in May and June of 2005 as compared to 2004. The remaining difference of \$194,140 is due to a lower 2nd half collection settlement for this year vs. last. Unfortunately, this settlement is still short of the budgeted amount by a little more than \$138,000.

3. **Investment Earnings:**

\$211,406 received this year, which is \$123,213 or 139.7% more than received at this time last year. 47.0% of estimated interest income has been received to date. Last year at this time, we had received 30.2% 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.

The Federal Reserve raised targeted short-term interest rates a quarter point to 4.00% on November 1st. The appointment of Ben Bernanke to succeed Alan Greenspan as Chairman of the Federal Reserve effective the end of January,

will most likely result in a continuation of the Greenspan economic policies and policy strategies. Accordingly, increases in the rates are expected over the next several months, including at the December Federal Reserve meeting.

We continue to benefit from increasing interest rates. Our position of staying short-term and specifically utilizing the even more favorable rates offered by the Charter One Bank on their overnight deposit accounts contributes to increased current monthly payments in lieu of semi-annual agency security interest payments.

4. Other Local:

YTD receipts include \$447,164 for the second semester fiscal 2004-05 SF-14 pupil payment from the State received in September. Although this payment was two months earlier than expected it is approximately \$45,000 less than last year's payment. Such payment amounts vary with the number of out-of-district students that are court-placed in our District.

5. State Sources:

State Foundation program receipts are \$329,846 or 7.3% more than those of one year ago. 34.1% of estimated Foundation receipts have been received to date compared to 33.4% 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 current and prior year months include a semi-annual public utility property tax reimbursement of \$385,113 and \$388,468 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:

\$54,749 of Medicaid reimbursements received this year, which is \$116,713 or 68.1% less than received at this time last year. The main difference is due to the state's delay in processing the last half of fiscal 2004 most of which was received in July 2004.

As you may recall the CAFS (Medicaid) reimbursement program for schools was discontinued effective July 1st. Unfortunately, the Federal government agency, the Center for Medicare and Medicaid services (CMS), has rejected the revamped CAFS programs as submitted by the Ohio Department of Jobs & Family Services (ODJFS). The primary reason is due to the invalid authorization program under which ODJFS submitted the proposals (for which ODJFS was forewarned by CMS). Consequently, the school district

plaintiff group (of which we are a part) is currently evaluating alternatives that most likely will take the form of a lawsuit against ODJFS for “breach of contract”.

We will continue to update you as events occur.

7. Total Revenue:

\$600,949 or 2.1% more than the amount received during the prior fiscal year-to-date. 37.2% of estimated income has been received to date compared to 36.4% last year.

B. EXPENDITURES

1. Salaries & Wages:

Payroll expenses as of October 31st represent a 3.3% (3.5% excluding severance payments) increase over last year’s payrolls for the same number of year-to-date pay dates. Payrolls averaged \$1,997,420 for the year-to-date vs. \$1,932,927 for the prior year. The rising average reflects the cumulative effect of the contractual increases that went into effect July 1st and January 1st. Total salaries and wages are 2.5% above the prior year due to timing of other fund chargebacks.

Although the classified overtime paid for October 2005 was \$2,400 less than October 2004, the YTD was still \$65,000 more than the prior YTD. Sick leave severance payments this YTD totaled \$121,168, representing a \$17,419 or 12.6% decrease from the prior YTD total of \$138,587.

2. Fringe Benefits:

Fringe benefit expenses are \$262,598 or 5.0% higher this fiscal YTD vs. the prior year, primarily due to the increase in health insurance and retirement expense.

3. Utilities:

Utility payments are \$70,327 or 16.2% higher this fiscal YTD vs. the prior year due primarily to a larger natural gas payment holiday in September of the prior fiscal year resulting from the overpaid position at June 30, 2004, combined with a 35% increase in monthly budget payments from \$52,000 in fiscal 2005 to \$70,000 in fiscal 2006.

We just received word from the Ohio Schools Council consortium of a second mid-year budget adjustment from the current \$97,566 per month to \$107,722 effective with the November payment. This second increase was

implemented before the first increase (from \$70,000 to \$97,566) even had a chance to go into effect. This budget is estimated using a rate of \$14.85 per mcf. If such higher payments are required through June 2006, we could be as much as \$300,000 over budget in this category for fiscal 2006.

4. Total Expenditures:

On a cash basis, total expenses were \$679,247 or 2.8% more than the YTD expenditure level for the prior fiscal year. This represents 30.9% of the estimated fiscal 2006 expenses with 31.2% of the budget year elapsed. Last year at this time, we had spent 32.1% of estimated annual expenses. The cash basis budget to actual variance is a positive \$259,264, or 1.0%. This variance is considered a timing difference in payments of expenses. Besides the increase in salaries of \$386,000, the variance vs. the prior year is primarily due to the following:

- \$141,000 increase in total health insurance costs;
- \$102,000 increase in retirement expense;
- \$144,000 decrease in out-of-district tuition payments;
- \$70,000 increase in utility payments due to reasons discussed above;
- \$50,000 decrease in other purchased service line items;
- \$296,000 increase in materials and supplies; and
- \$122,000 decrease in capital outlay.

The encumbrances (\$5,670,911 at October 31, 2005), which include \$2,794,885 for out-of-district tuition, are \$703,436 higher than the prior year, primarily attributable to a \$263,429 increase in tuition encumbrances, a \$285,177 increase in other purchased services, and a \$125,576 increase in materials and supplies. These differences are due primarily to timing at this point.

II. CONCLUSIONS

1. Cash balance reflects an increase of \$711,123 from that of one year ago. This is due to the \$0.8 million higher beginning-of-year balance, coupled with the \$0.1 million smaller excess of revenues over expenditures for the current YTD vs. the prior YTD.
2. The following cash deficits are due to a delay in the receipt of state or federal fund cash requests from the State: Fund 440-\$85; Fund 463-\$6,402; Fund 516-\$103,401; Fund 572-\$4,263; Fund 573-\$6,593; and Fund 584-\$2,219.

III. OTHER ITEMS

1. Tax Rates for Calendar 2006:

Because of the timing of both the election and our November Board meeting, the final tax rates have not yet been certified by the County. Consequently, the tax rates will be on the December Board meeting agenda, rather than at the meeting in November.

2. Bus Bond Anticipation Notes:

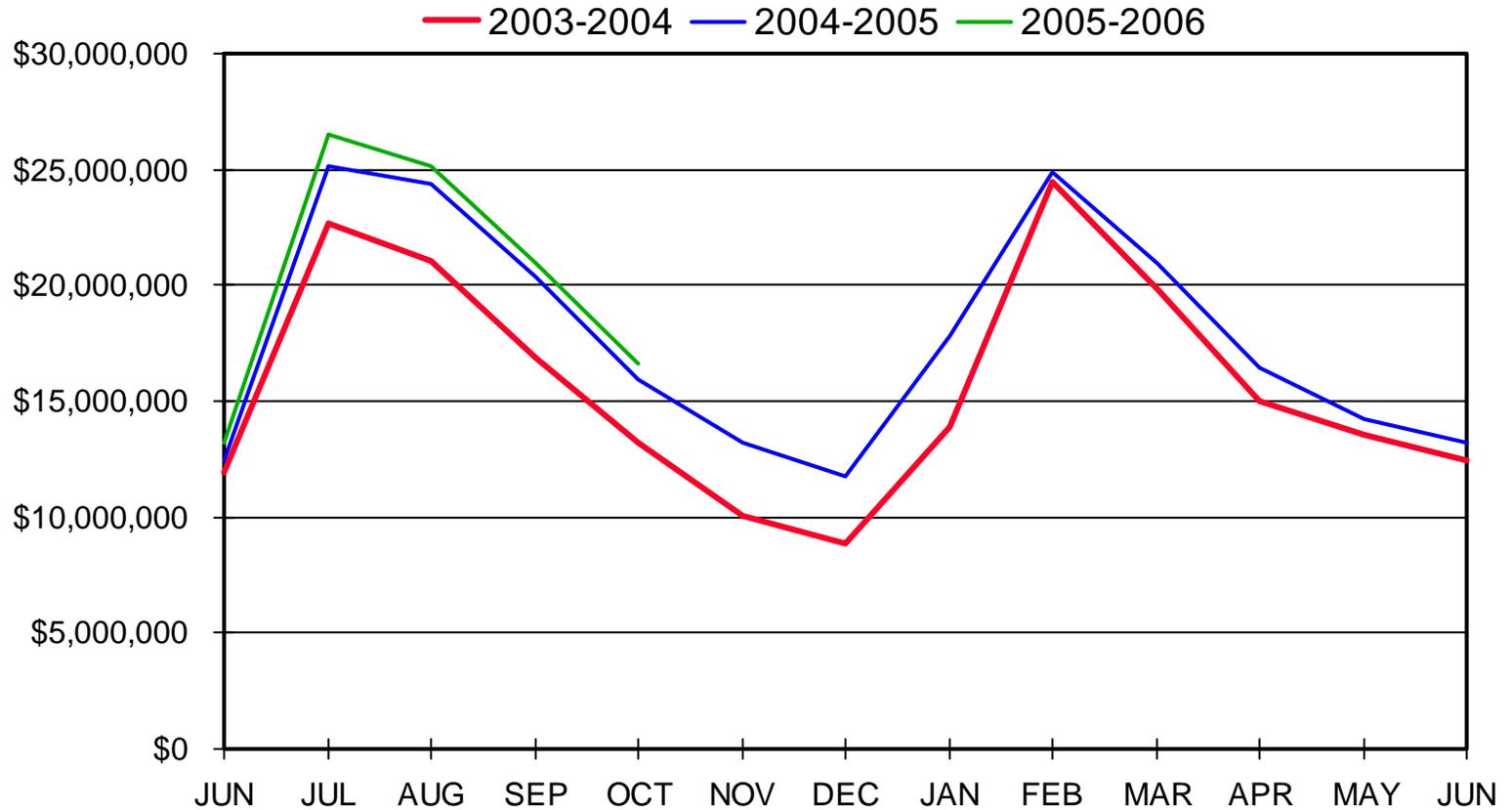
We received the proceeds from the issuance of the bus notes in the principal amount of \$570,000 from the bid winner, A.G. Edwards on October 20th. The winning bid was a net interest rate of 3.17% for a one-year maturity (due 10/19/06). Such issuance as approved in October by the Board, reflects a \$150,000 pay down on the combined multiple bus purchase financing totaling \$720,000 that was issued October 20, 2004. In total we received seven bids with rates ranging from 3.17% to 4.14% net interest rates.

SHAKER HEIGHTS CITY SCHOOL DISTRICT
General Fund-Financial Statement
Fiscal Year Ending
June 30, 2006

FS04Oct05Web/SummaryF06
11/14/2005

	Month of October				Year-To-Date October				Year-To-Date October		
	Actual F06	Actual F05	\$ Inc(Dec)	%Inc(Dec)	Actual F06	Actual F05	\$ Inc(Dec)	%Inc(Dec)	YTD Bud.F06	\$ Inc(Dec)	%Inc(Dec)
REVENUE:											
Real Estate Taxes	\$0	\$0	\$0	#DIV/0!	\$21,448,180	\$21,353,424	\$94,756	0.4%	\$21,450,000	(\$1,820)	0.0%
Personal Property Taxes	945,825	718,417	227,408	31.7%	1,190,710	1,470,214	(279,504)	-19.0%	1,329,089	(138,379)	-10.4%
Investment Earnings	41,901	9,350	32,551	348.1%	211,406	88,193	123,213	139.7%	185,000	26,406	14.3%
Other Local	2,955	43,432	(40,477)	-93.2%	535,225	71,356	463,869	650.1%	75,000	460,225	613.6%
State Foundation	1,215,316	1,127,574	87,742	7.8%	4,877,615	4,547,769	329,846	7.3%	4,820,000	57,615	1.2%
Homestead Exemption & RollBack	0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	#DIV/0!
Other State	0	0	0	#DIV/0!	432,231	446,749	(14,518)	-3.2%	430,000	2,231	0.5%
Federal-primarily Medicaid	6,880	0	6,880	#DIV/0!	54,749	171,462	(116,713)	-68.1%	110,000	(55,251)	-50.2%
Transfers & Advances In	0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	#DIV/0!
TOTAL REVENUE	2,212,877	1,898,773	314,104	16.5%	28,750,116	28,149,167	600,949	2.1%	28,399,089	351,027	1.2%
	0	0	0		0	0	0		0	0	
EXPENDITURES:											
Salaries & Wages	4,062,670	3,988,397	74,273	1.9%	15,933,817	15,547,439	386,378	2.5%	16,046,592	(112,775)	-0.7%
Fringe Benefits:											
Health Insurance	688,922	613,185	75,737	12.4%	2,708,249	2,566,931	141,318	5.5%	2,745,000	(36,751)	-1.3%
Retirement Expense	603,916	592,049	11,867	2.0%	2,449,487	2,347,636	101,851	4.3%	2,479,000	(29,513)	-1.2%
All Other Fringes	94,891	91,987	2,904	3.2%	359,135	339,706	19,429	5.7%	365,000	(5,865)	-1.6%
Total Fringe Benefits	1,387,729	1,297,221	90,508	7.0%	5,516,871	5,254,273	262,598	5.0%	5,589,000	(72,129)	-1.3%
Purchased Services:	0	0	0		0	0	0		0	0	
Utilities	158,101	163,938	(5,837)	-3.6%	503,970	433,643	70,327	16.2%	556,000	(52,030)	-9.4%
Out-of-District Tuition	192,119	212,761	(20,642)	-9.7%	563,292	707,320	(144,028)	-20.4%	624,000	(60,708)	-9.7%
Pupil Transportation	204,937	192,787	12,150	6.3%	316,251	296,628	19,623	6.6%	292,000	24,251	8.3%
All Other Purchased Services	270,375	241,669	28,706	11.9%	1,055,218	1,124,473	(69,255)	-6.2%	1,029,000	26,218	2.5%
Total Purchased Services	825,532	811,155	14,377	1.8%	2,438,731	2,562,064	(123,333)	-4.8%	2,501,000	(62,269)	-2.5%
Materials & Supplies	242,697	180,647	62,050	34.3%	1,065,566	769,647	295,919	38.4%	1,004,000	61,566	6.1%
Capital Outlay	32,775	37,459	(4,684)	-12.5%	73,954	196,270	(122,316)	-62.3%	132,000	(58,046)	-44.0%
Other-primarily Cty.Aud.&Treas.Fees	18,384	34,049	(15,665)	-46.0%	89,389	116,368	(26,979)	-23.2%	105,000	(15,611)	-14.9%
Transfers & Advances Out	0	0	0	#DIV/0!	217,192	210,212	6,980	3.3%	217,192	0	0.0%
TOTAL EXPENDITURES	6,569,787	6,348,928	220,859	3.5%	25,335,520	24,656,273	679,247	2.8%	25,594,784	(259,264)	-1.0%
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Net Revenues/(Expenditures)	(4,356,910)	(4,450,155)	93,245	-2.1%	3,414,596	3,492,894	(78,298)	-2.2%	2,804,305	610,291	21.8%
Cash, Beginning of Period	20,981,930	20,364,052	617,878	3.0%	13,210,424	12,421,003	789,421	6.4%	13,210,424	0	0.0%
Cash, End of Month	16,625,020	15,913,897	711,123	4.5%	16,625,020	15,913,897	711,123	4.5%	16,014,729	610,291	3.8%
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Less O/S Encumbrances	5,670,911	4,967,475	703,436	14.2%	5,670,911	4,967,475	703,436	14.2%	4,967,000	703,911	14.2%
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	\$10,601,039	\$10,593,352	\$7,687	0.1%	\$10,601,039	\$10,593,352	\$7,687	0.1%	\$10,694,659	(\$93,620)	-0.9%
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Total General Obligation Debt Outstanding					\$22,380,537	\$13,585,939					

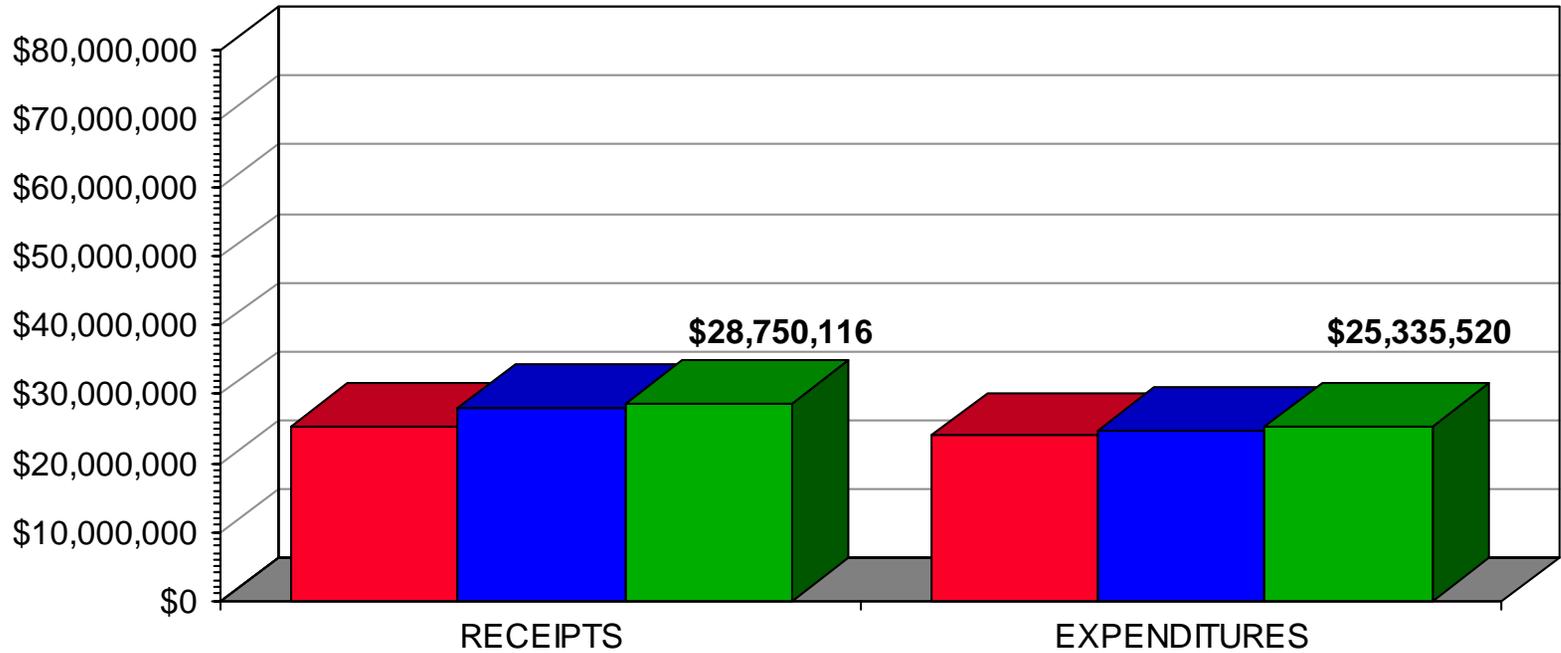
SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND CASH BALANCE



October 31, 2005

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND

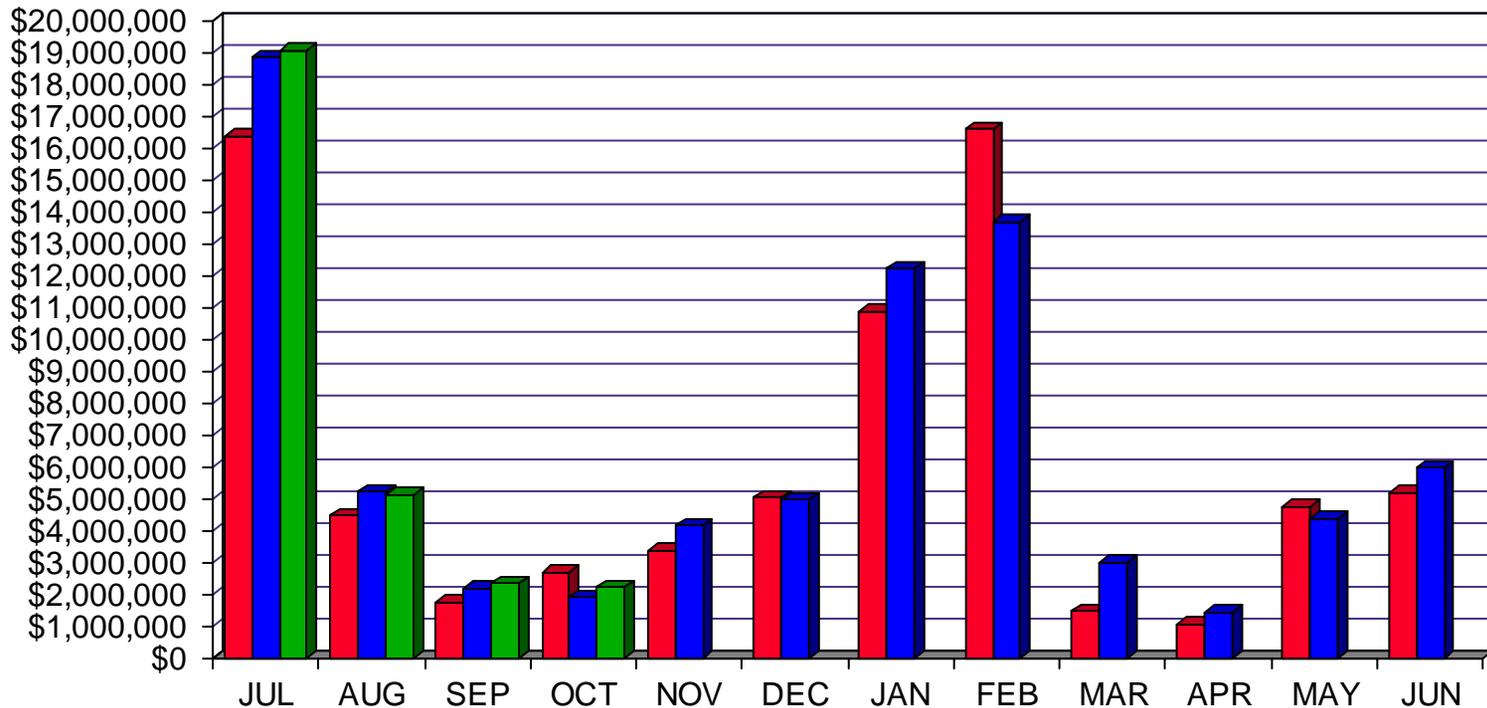
■ 2003-2004 ■ 2004-2005 ■ 2005-2006



October 31, 2005

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND RECEIPTS

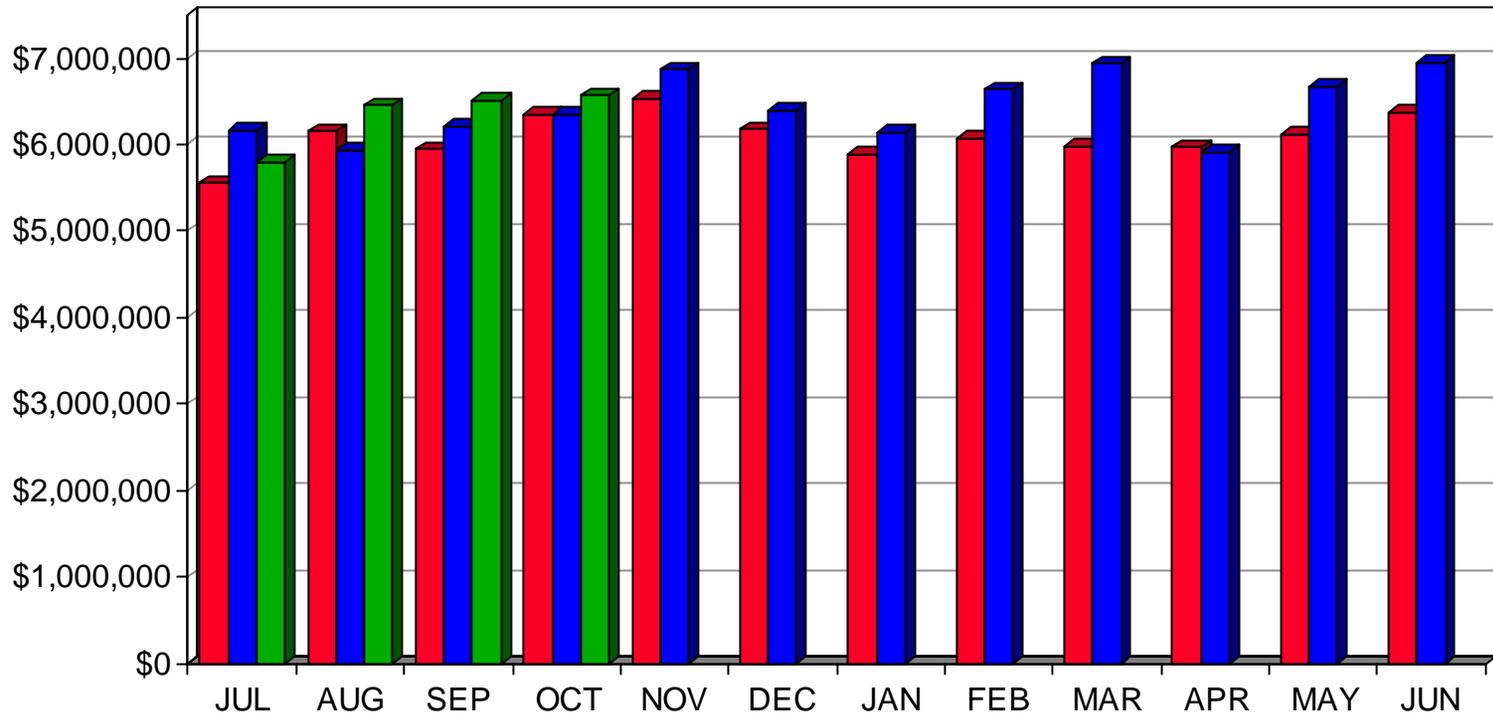
■ 2003-2004 ■ 2004-2005 ■ 2005-2006



October 31, 2005

SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND EXPENDITURES

■ 2003-2004 ■ 2004-2005 ■ 2005-2006



October 31, 2005