

SHAKER HEIGHTS BOARD OF EDUCATION  
SHAKER HEIGHTS, OHIO

June 9, 2004

TO: Members, Shaker Heights Board of Education

FROM: Bryan C. Christman, Treasurer

SUBJECT: Financial and Miscellaneous Briefs

I. GENERAL FUND (As of May 31, 2004)

A. REVENUE

1. **Real Estate Taxes**

\$2,870,118 or 6.4% more than taxes received as of May 2003. 99.4% of estimated real estate tax collections have been received to date. Last year at this time, we had received 100.5% of the estimated taxes. As reported in previous months, the 2<sup>nd</sup> half collections were in fact down about \$120,000 from a year ago (even though total collections for calendar 2003 are \$164,000 higher than calendar 2002). The increased collections in January and February are of course due to the new 9.6 mill levy.

2. **Personal Property Taxes:**

\$388,625 or 16.3% less than taxes received at this time last year. 90.7% of the estimated tangible tax has been received to date. Last year at this time, we had received 125.4% of the estimated taxes. The variance is due to lower collections of tax revenues in July (\$114,000) and for the 2<sup>nd</sup> half 2003 settlement (\$289,000). While \$50,000 of the difference in the 1<sup>st</sup> half settlement was simply a timing difference (there was only a \$64,000 difference between the 1<sup>st</sup> half 2003 and 2002 settlements), the combined non-timing reduction of \$353,000 is primarily due to a \$228,000 reduction from OfficeMax, a \$106,000 reduction from Adelpia, and a \$40,000 reduction from Wild Oats, offset by other net increases. As you may recall last fiscal year's collections were inordinately high primarily due to a substantial increase in OfficeMax. This year's revenues are expected to be more in line with that of fiscal 2002.

Additionally, the exempt personal property tax received in December 2003 was \$27,508 less than the prior year due to the implementation of the ten-year phase-out in accordance with the provisions of House Bill No. 95, the state's biennial budget bill passed last June.

Even though real estate and personal property tax collections have fallen below expectations for the year, the homestead and rollback total for the year will exceed the budget by \$322,000, thereby resulting in total property tax collections falling short by less than .25% (at most \$120,000) of the budgeted property tax revenues of \$56.4 million.

**3. Investment Earnings:**

\$259,973 received this year, which is \$90,891 or 25.9% less than received at this time last year. 65.0% of estimated interest income has been received to date. Last year at this time, we had received 73.2% 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. This year's investment income continues to suffer from the depressed interest rates. The Federal Reserve again left the target federal funds rate unchanged at 1.00% at their May 4<sup>th</sup> meeting, but are expected to increase the rate by at least .25% at their meeting at the end of June. As previously reported, we will not meet the revenue target for investment earnings for the year.

**4. Other Local:**

With the receipt of \$594,000 in December and \$578,000 in May for the payments from the State for the semi-annual exchange of SF-14, regular education tuition from other districts, this category remains ahead of last year, but still slightly below budget for the year.

**5. State Sources:**

State Foundation program receipts are \$223,151 or 1.8% less than those of one year ago. 90.8% of estimated Foundation receipts have been received to date compared to 89.2% for last year. This item is expected to exceed budget by as much as \$275,000.

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

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

**6. Federal Sources:**

Federal YTD receipts include primarily Medicaid and intervention program reimbursements. A processing dispute between the State and the Federal governments has resulted in a delay in Medicaid reimbursements for claims since January. The delayed payment issue has been resolved and the payment of prior months revenues approximating \$119,000 is expected later in June or July. Other changes including a conversion to a modified fee-for-service in lieu of a cost-reimbursement basis program are still in limbo.

**7. Total Revenue:**

\$2,290,136 or 3.5% more than the amount received during the prior fiscal year-to-date. 93.1% of estimated revenue has been received to date compared to 95.2% last year. The variance from prior year and budget is primarily due to the increased real estate taxes due to the new levy, offset by decreased personal property tax collections in the 2<sup>nd</sup> half of 2003 and reduced State Foundation receipts. Total revenue for the year is expected to fall short of the budgeted amount of \$73.5 million by only about \$250,000, or .3% of total revenues.

**B. EXPENDITURES**

**1. Salaries & Wages:**

Payroll expenses as of May 31st represent a 4.4% increase over last year's payrolls for the same number of year-to-date pay dates. Payrolls averaged \$1,923,721 for the year-to-date vs. \$1,842,024 for the prior year. The rising average reflects the cumulative effect of the contractual increases that went into effect on January 1 and last July 1, as well as the step increments that went into effect on September 1. Total salaries and wages are 4.6% above the prior year due to timing of other fund chargebacks.

**2. Fringe Benefits:**

Fringe benefit expenses are \$851,034 or 6.8% higher this fiscal YTD vs. the prior year. The all other fringe benefits are \$371,783 or 54.4% higher, primarily due to the change to an "accrual" approach for the non-health fringe benefit expenses in concert with the change to the state software system for our payroll processing effective July 1, 2003. The "accrual" of these amounts is accumulated in Fund 22, District Agency, from which payments to the respective vendors are made (similar to how we have been reporting the health insurance expenses in Fund 24 for the last several years).

Because of the over-funded health insurance contingent premium reserve, we have been able to utilize through May, \$350,000 of the over-funding to reduce the charges to the General Fund.

### **3. Utilities:**

Utility payments are \$252,877 or 23.0% higher this fiscal YTD vs. the prior year due primarily to budget basis natural gas payments of \$54,000 per month in this fiscal year vs. \$0 per month last year (for the first five months) due to the “gas payment holiday” resulting from the overpaid position at June 30, 2002.

Additionally, rates have risen this winter, but not nearly as steep as the highest months during the 2002-03 winter. Because of the high budget amounts this year, our expenses for fiscal 2004 are significantly higher than fiscal 2003.

We do have two “gas payment holidays” in May and June, due to our current overpaid status resulting from a milder winter than what was expected.

The consumption in the February billing month was nearly identical to that of a year ago (15,502 mcf's vs. 15,507 mcf's last year) while the price actually decreased (from \$8.887 a year ago to \$6.965 this year). Both the consumption (11,194 mcf's vs. 13,351 last year) and the rate (\$6.528 vs. \$12.132 for last year) were lower in March, while both consumption (8,395 mcf's vs. 7,210 last year) and the rate (\$6.208 vs. \$6.167 last year) were slightly higher in April.

### **4. Total Expenses:**

On a cash basis, total expenses were \$3,817,899 or 6.1% more than the YTD expenditure level for the prior fiscal year. YTD expenses represent 90.9% of the estimated fiscal 2004 expenses vs. 91.6% of the budget year elapsed. Last year at this time, we had spent 91.5% of estimated annual expenses. The cash basis budget to actual variance is a positive \$489,724. This variance is considered a timing difference in payments of expenses, given the substantially higher encumbrances outstanding. Besides the increase in salaries of \$1,856,000 the variance vs. the prior year is primarily due to the following:

- o \$227,000 increase in retirement expenses;
- o \$354,000 increase in workers' compensation due to discount program in the prior year coupled with the accrual method implemented this year;
- o \$252,000 increase in total health insurance costs (net of \$43,273 contingent premium payment received from the Shaker Heights Public Library);
- o \$255,000 increase in out-of-district tuition payments;
- o \$253,000 increase in utility payments due to reasons discussed above;
- o \$79,000 increase in pupil transportation costs; and
- o \$457,000 increase in other purchased service line items, including a \$101,000 increase in legal fees.

The encumbrances (\$3.1 million at May 31, 2004), which include \$2.1 million for out-of-district tuition, are \$.8 million higher than the prior year, primarily attributable to a \$554,000 increase in tuition encumbrances. While a portion of this increase is due to timing, the enormous increase in special education out-of-district tuition is causing a significant strain on the budget for the remainder of this and the ensuing fiscal years. We will continue to monitor and report the status in this critical area.

## II. CONCLUSIONS

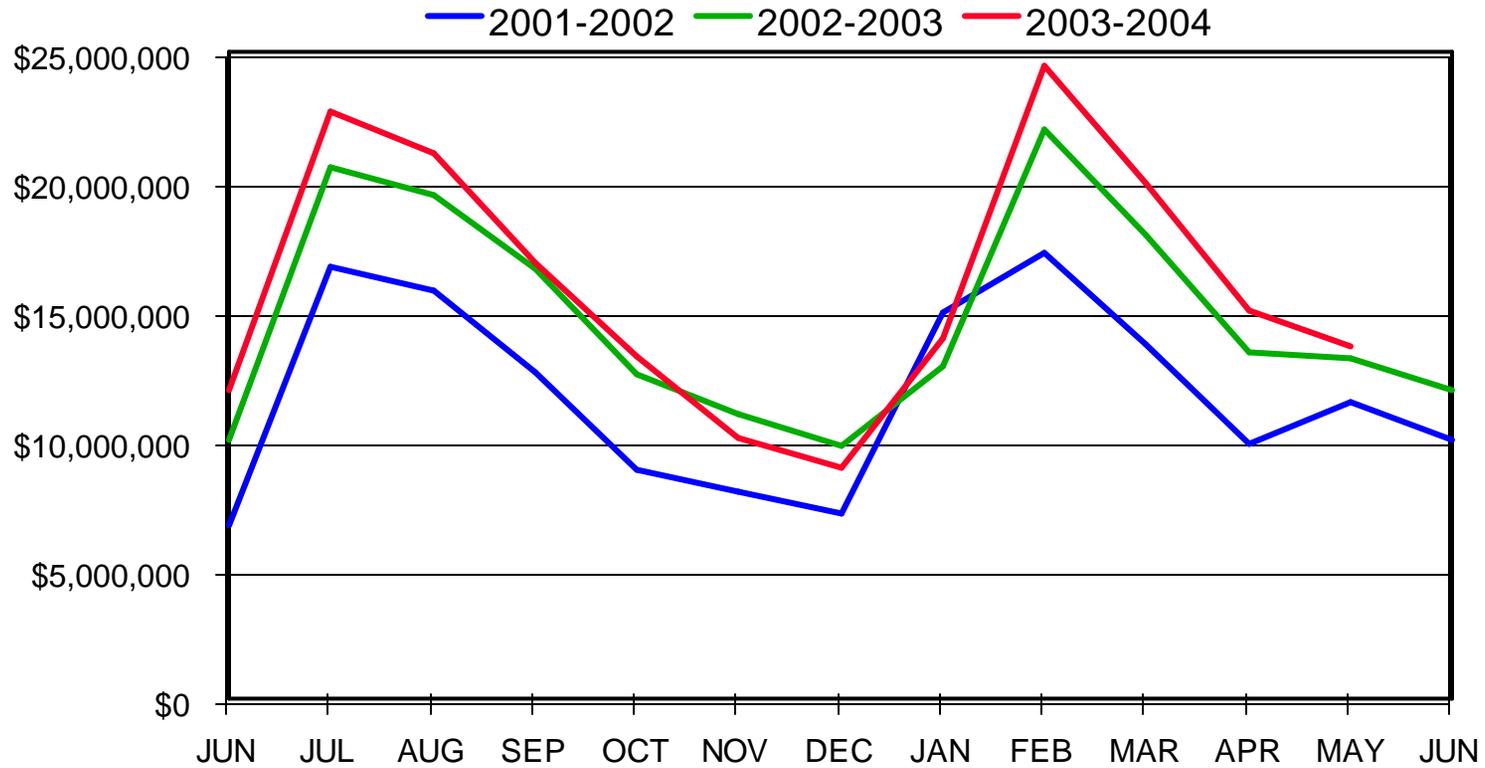
1. Cash balance reflects an increase of \$.5 million from that of one year ago. This is due to the \$2.0 million higher beginning of year balance, offset by the \$1.5 million larger excess of expenditures over revenues for the current YTD vs. the prior YTD.
2. The \$1,295 cash deficit in Fund 020, Shaker Merchandise, is due to the purchase of merchandise for resale.
3. The deficit balances in Funds 551, 584, and 590 which amount to \$42,533, \$11,569, and \$10,274, respectively, are due to delay in receipt of State and Federal cash reimbursements. These are all expected to be cleared prior to June 30<sup>th</sup>.

## III. OTHER ITEMS

### 1. **Health Insurance Rates:**

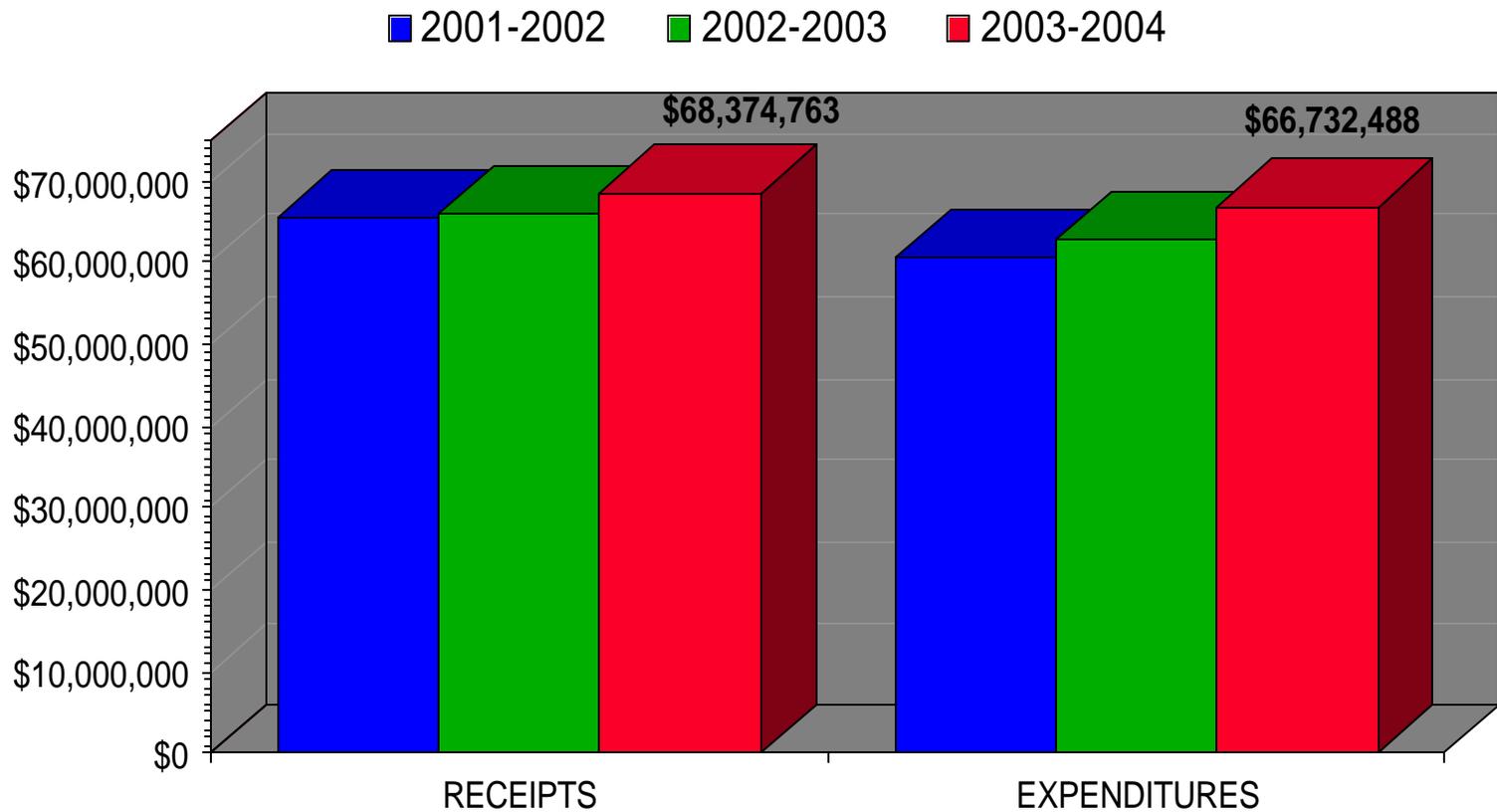
The health insurance renewal rates for fiscal 2004-05 have been finalized. Despite the discontinuation of the traditional comprehensive plan by Anthem effective July 1, 2004, the new rates reflect a 14.4% overall increase for an estimated total dollar amount in excess of \$1 million (on a 100% basis). The most recent five-year forecast approved in May only provides for a \$700,000 increase. The shortfall of about \$300,000 represents only .4% of the total projected expenditures for fiscal 2005. We are working closely with the Superintendent to identify opportunities to eliminate the shortfall so as to keep the total budget within the five-year forecast parameters. We will continue to monitor and report on our progress in this area.

# SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND CASH BALANCE



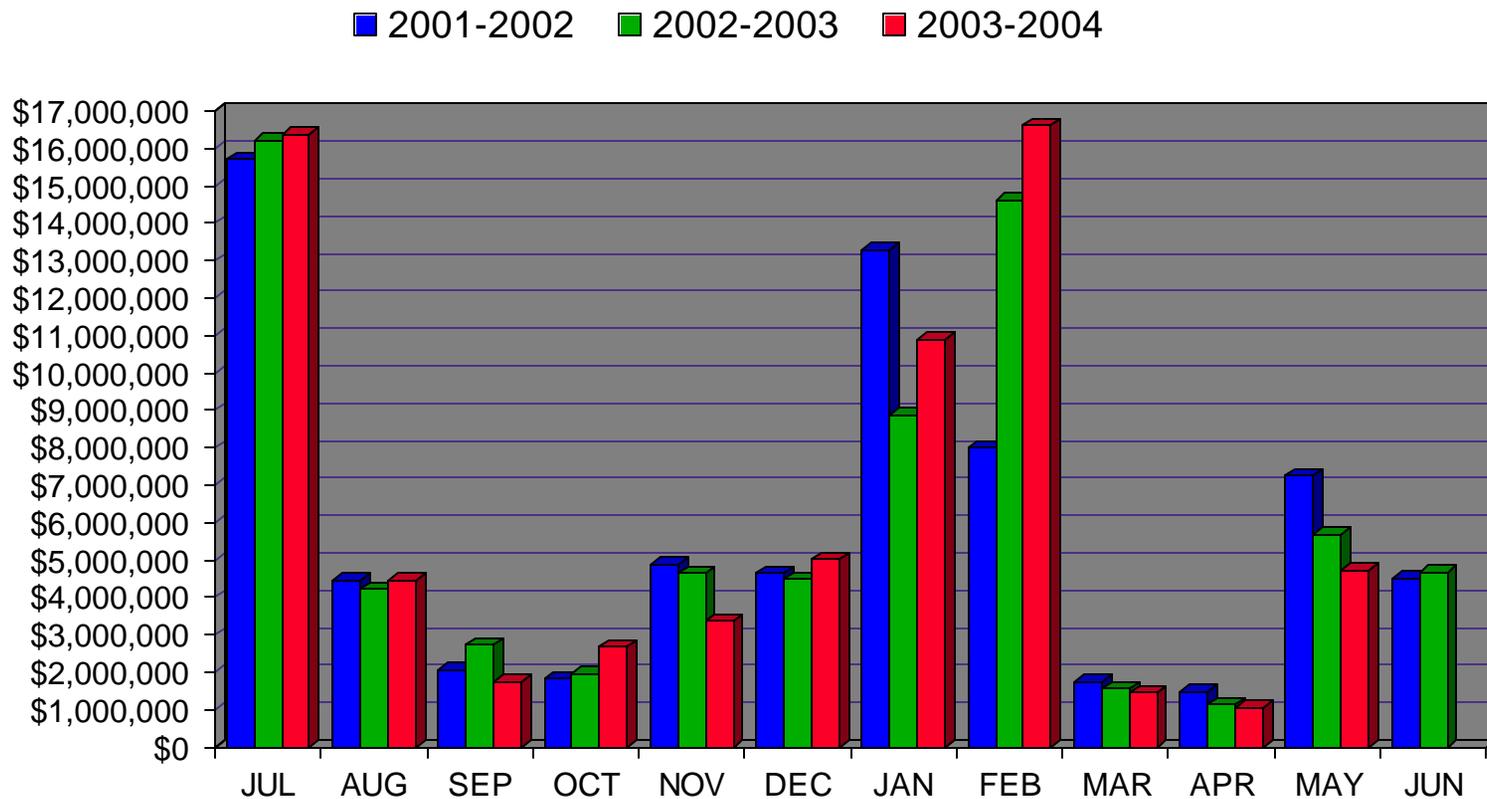
May 31, 2004

# SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND



May 31, 2004

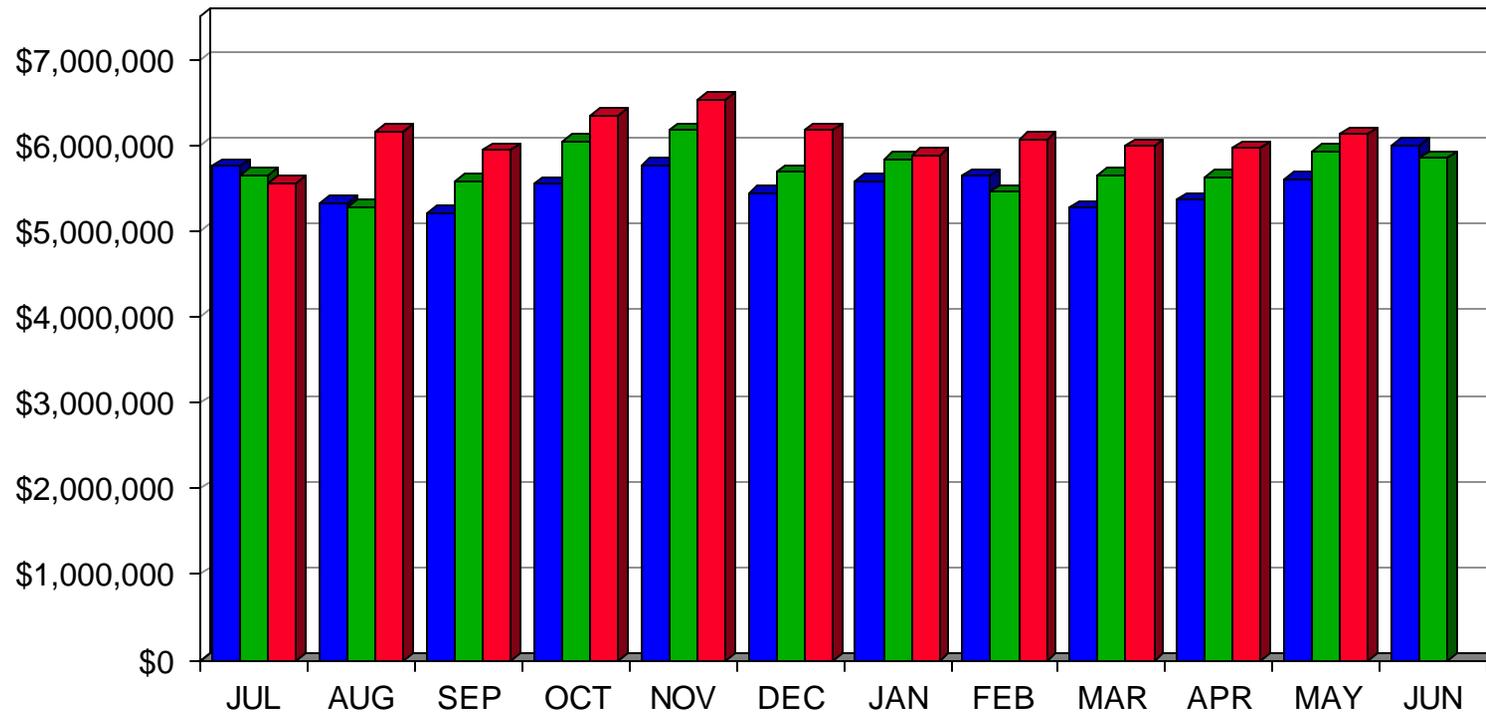
# SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND RECEIPTS



May 31, 2004

# SHAKER HEIGHTS BOARD OF EDUCATION GENERAL FUND EXPENDITURES

■ 2001-2002    ■ 2002-2003    ■ 2003-2004



May 31, 2004

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

	Month of May				Year-To-Date May				Year-To-Date May		
	Actual F04	Actual F03	\$ Inc(Dec)	%Inc(Dec)	Actual F04	Actual F03	\$ Inc(Dec)	%Inc(Dec)	YTD Bud.F04	\$ Inc(Dec)	%Inc(Dec)
<b>REVENUE:</b>											
Real Estate Taxes	\$2,614,666	\$3,693,618	(\$1,078,952)	-29.2%	\$47,926,150	\$45,056,032	\$2,870,118	6.4%	\$48,167,000	(\$240,850)	-0.5%
Personal Property Taxes	136,115	94,164	41,951	44.6%	1,994,554	2,383,179	(388,625)	-16.3%	2,090,000	(95,446)	-4.6%
Investment Earnings	14,524	32,401	(17,877)	-55.2%	259,973	350,864	(90,891)	-25.9%	366,000	(106,027)	-29.0%
Other Local	587,717	613,696	(25,979)	-4.2%	1,378,803	1,353,740	25,063	1.9%	1,392,000	(13,197)	-0.9%
State Foundation	1,383,362	1,096,210	287,152	26.2%	12,259,131	12,482,282	(223,151)	-1.8%	12,375,000	(115,869)	-0.9%
Homestead Exemption & RollBack	0	0	0	#DIV/0!	2,951,650	2,911,920	39,730	1.4%	2,950,000	1,650	0.1%
Other State	0	93,419	(93,419)	-100.0%	1,374,119	1,218,339	155,780	12.8%	1,158,359	215,760	18.6%
Federal-primarily Medicaid	0	50,003	(50,003)	-100.0%	230,383	328,271	(97,888)	-29.8%	276,000	(45,617)	-16.5%
Transfers & Advances In	0	0	0	#DIV/0!	0	0	0	#DIV/0!	0	0	#DIV/0!
<b>TOTAL REVENUE</b>	<b>4,736,384</b>	<b>5,673,511</b>	<b>(937,127)</b>	<b>-16.5%</b>	<b>68,374,763</b>	<b>66,084,627</b>	<b>2,290,136</b>	<b>3.5%</b>	<b>68,774,359</b>	<b>(399,596)</b>	<b>-0.6%</b>
	0	0	0		0	0	0		0	0	
<b>EXPENDITURES:</b>											
Salaries & Wages	3,792,965	3,668,990	123,975	3.4%	42,212,385	40,355,946	1,856,439	4.6%	42,145,000	67,385	0.2%
Fringe Benefits:											
Health Insurance	393,351	436,778	(43,427)	-9.9%	5,845,761	5,593,603	252,158	4.5%	6,564,000	(718,239)	-10.9%
Retirement Expense	578,549	561,063	17,486	3.1%	6,399,807	6,172,714	227,093	3.7%	6,406,000	(6,193)	-0.1%
All Other Fringes	90,505	127,781	(37,276)	-29.2%	1,055,485	683,702	371,783	54.4%	857,000	198,485	23.2%
Total Fringe Benefits	1,062,405	1,125,622	(63,217)	-5.6%	13,301,053	12,450,019	851,034	6.8%	13,827,000	(525,947)	-3.8%
Purchased Services:											
Utilities	57,524	122,645	(65,121)	-53.1%	1,354,015	1,101,138	252,877	23.0%	1,258,000	96,015	7.6%
Out-of-District Tuition	365,593	227,830	137,763	60.5%	2,264,900	2,010,396	254,504	12.7%	2,425,000	(160,100)	-6.6%
Pupil Transportation	152,629	140,746	11,883	8.4%	1,279,824	1,200,735	79,089	6.6%	1,150,000	129,824	11.3%
All Other Purchased Services	148,677	157,588	(8,911)	-5.7%	2,821,170	2,364,457	456,713	19.3%	2,792,000	29,170	1.0%
Total Purchased Services	724,423	648,809	75,614	11.7%	7,719,909	6,676,726	1,043,183	15.6%	7,625,000	94,909	1.2%
Materials & Supplies	105,743	108,791	(3,048)	-2.8%	1,888,745	1,987,295	(98,550)	-5.0%	2,028,000	(139,255)	-6.9%
Capital Outlay	22,178	7,206	14,972	207.8%	405,851	396,599	9,252	2.3%	474,000	(68,149)	-14.4%
Other-primarily Cty.Aud.&Treas.Fees	415,762	376,595	39,167	10.4%	952,333	801,043	151,290	18.9%	841,000	111,333	13.2%
Transfers & Advances Out	0	0	0	#DIV/0!	252,212	246,961	5,251	2.1%	282,212	(30,000)	-10.6%
<b>TOTAL EXPENDITURES</b>	<b>6,123,476</b>	<b>5,936,013</b>	<b>187,463</b>	<b>3.2%</b>	<b>66,732,488</b>	<b>62,914,589</b>	<b>3,817,899</b>	<b>6.1%</b>	<b>67,222,212</b>	<b>(489,724)</b>	<b>-0.7%</b>
	0	0	0		0	0	0		0	0	
<b>Net Revenues/(Expenditures)</b>	<b>(1,387,092)</b>	<b>(262,502)</b>	<b>(1,124,590)</b>	<b>428.4%</b>	<b>1,642,275</b>	<b>3,170,038</b>	<b>(1,527,763)</b>	<b>-48.2%</b>	<b>1,552,147</b>	<b>90,128</b>	<b>5.8%</b>
<b>Cash, Beginning of Period</b>	<b>14,973,937</b>	<b>13,396,229</b>	<b>1,577,708</b>	<b>11.8%</b>	<b>11,944,570</b>	<b>9,963,689</b>	<b>1,980,881</b>	<b>19.9%</b>	<b>11,944,570</b>	<b>0</b>	<b>0.0%</b>
<b>Cash, End of Month</b>	<b>13,586,845</b>	<b>13,133,727</b>	<b>453,118</b>	<b>3.5%</b>	<b>13,586,845</b>	<b>13,133,727</b>	<b>453,118</b>	<b>3.5%</b>	<b>13,496,717</b>	<b>90,128</b>	<b>0.7%</b>
	0	0	0		0	0	0		0	0	
<b>Less O/S Encumbrances</b>	<b>3,137,406</b>	<b>2,333,664</b>	<b>803,742</b>	<b>34.4%</b>	<b>3,137,406</b>	<b>2,333,664</b>	<b>803,742</b>	<b>34.4%</b>	<b>1,900,000</b>	<b>1,237,406</b>	<b>65.1%</b>
<b>Less Budget Reserve</b>	<b>353,070</b>	<b>353,070</b>	<b>0</b>	<b>0.0%</b>	<b>353,070</b>	<b>353,070</b>	<b>0</b>	<b>0.0%</b>	<b>353,070</b>	<b>0</b>	<b>0.0%</b>
<b>Fund Balance, End of Month</b>	<b>\$10,096,369</b>	<b>\$10,446,993</b>	<b>(\$350,624)</b>	<b>-3.4%</b>	<b>\$10,096,369</b>	<b>\$10,446,993</b>	<b>(\$350,624)</b>	<b>-3.4%</b>	<b>\$11,243,647</b>	<b>(\$1,147,278)</b>	<b>-10.2%</b>
	0	0	0		0	0	0	0.0%	0	0	0.0%
<b>Total General Obligation Debt Outstanding</b>					<b>\$13,867,774</b>	<b>\$15,235,247</b>					