

**SHAKER HEIGHTS CITY
SCHOOL DISTRICT**

FIVE-YEAR FORECAST

FOR THE PROJECTED YEARS ENDING

JUNE 30, 2014 THROUGH JUNE 30, 2018

IN ACCORDANCE WITH

HOUSE BILL NO. 412

May 2014



SHAKER HEIGHTS CITY SCHOOL DISTRICT
Shaker Heights, Ohio

To: Members, Shaker Heights Board of Education
& Dr. Gregory C. Hutchings, Jr., Superintendent

CC: Members, Finance & Audit Committee

From: Bryan C. Christman, Treasurer

Date: April 16, 2014

Re: House Bill No. 412 Five-Year Forecast

I have summarized below some of the highlights of the forecast. Please feel free to call if you have questions or care to discuss before the meeting.

Major Assumptions and/or Highlights:

1. The provisions of the 2013-2015 State biennial budget are expected to result in the District receiving additional funding in both Fiscal 2014 & Fiscal 2015. As discussed in the March 31, 2014 month-end financial statements, the District will receive approximately \$449,000 of additional revenue above the budgeted amount for F2014. Such additional revenue in F2014 triggers additional revenue in F2015 since the District is currently limited by the House Bill No. 59 "10.5% gain cap", which simply means the District is limited to receiving in F2015 no more than 10.5% above the F2014 final funding amount, regardless of what the new funding formula calculated funding amount is. The amount the District is not receiving in F2014 due to the "gain cap" (which is 6.25% in F2014) approximates \$1.7 million. The F2015 forecasted amount is discounted by about \$320,000 from the 10.5% gain cap calculated amount to account for increases in expected increased deductions for community (charter) schools and other deductions effectively reducing the District's net proceeds. The F2016 funding amount is reduced from the F2015 level in anticipation of the biennial reset of the index used to measure relative wealth amongst all Ohio public school districts. Such revised index is expected to result in a reduction in the District's share of the available funding approximating \$125,000 per year.
2. The Fiscal 2014 revenue and expenditure items have been updated to reflect the favorable or unfavorable results, as the case may be, as projected through fiscal yearend.

3. The projected F2014 General Property Tax and Property Tax Allocation lines of the forecast (lines 1.01 and 1.05, respectively) reflect a combined \$603,000 favorable variance (\$762,000 favorable real estate less \$159,000 unfavorable HERB variance), or about 0.8% variance from budget. As previously reported, the real estate tax collections for the second half of calendar 2013 was \$178,000 below budget for the first half of the fiscal year, while the tax advances received in the first two months of calendar 2014 were \$1.1 million higher than the prior year same period. With the early receipt in late March of the first half settlement payment, total real estate tax collections for the first half of calendar 2014 total about \$940,000 more than the first half of calendar 2013, thereby resulting in a projected net \$762,000 favorable variance for the fiscal year. Because a portion of the F2014 favorable variance is believed to be a timing difference that will be offset by lower collections in the last half of 2014, only about \$450,000 has been included in the F2015 forecasted property tax revenues, and only about \$250,000 in F2016 and beyond.
4. General Property Tax forecasted receipts for F2015 through F2020 are reduced by \$250,000 per year reflecting an estimate of what is hoped to be a temporary reduction in commercial real estate property tax collections due to the demolition of certain commercial properties in connection with the City's impending reconfiguration and redevelopment of the Warrensville Center/Chagrin/Van Aken/Northfield intersection. Anticipated development in the area after the reconfiguration is expected to replenish such lost taxes after the next reappraisal cycle.
5. Casino tax payment distributions by the State began in January 2013. The District's first receipt in F2013 amounted to \$112,000. F2015 forecasted receipts are estimated based upon the actual F2014 receipt amount of \$272,000.
6. F2015 and beyond continue to include an estimated \$50,000 cost shift to the General Fund 001 for costs previously funded by Federal monies which may continue to be reduced under the Federal sequestration program.
7. **F2014 & F2015 forecasted salary expense reflects the 1% contractual increase effective January 1, 2014 that was granted to the teachers in connection with the one-year extension of the SHTA contract. Additionally, an anticipated 1% contractual increase effective July 1, 2014 to the other two collective bargaining groups as well as the non-bargaining groups is also reflected in the forecast. A blended overall 2% per year projected salary increase, including annual experience steps, for all years after the current collective bargaining agreements expire is reflected in the forecast.**
8. F2014 projected health insurance expense reflects the overall net 1.9% decrease in costs effective 1/1/14 (as opposed to the original estimated 7% increase). In accordance with the recommendation of the District's benefits advisor, a projected annual growth rate of 10.0% for health insurance costs has been forecasted effective January 1st of each year starting 1/1/15.
9. Natural gas budget increases of 4% per year for fiscal years beyond Fiscal 2014;
10. Electricity budget increases of 3% per year for fiscal years beyond Fiscal 2014;
11. A projected annual growth rate averaging 5% for out-of-district tuition costs;
12. A 5% annual growth rate for out-of-district tuition transportation costs;

13. A 5% annual growth rate for fuel costs beyond Fiscal 2014. We have allotted an additional \$25,000 as a precaution that fuel prices experience a more dramatic fluctuation in fiscal year 2015 and beyond;
14. A projected annual growth rate averaging 5% for Capital Outlay spending based upon the Fiscal 2014 projected expenditures totaling \$1.6 million, which is significantly higher than the actual expenditures for Fiscal 2011 (\$0.6 million) and Fiscal 2012 (\$1.0 million), but less than the Fiscal 2013 level of \$1.8 million. The higher level of spending is required since the end of the bond issue proceeds.
15. **The approval of a continuing property tax levy with a projected yield equivalent of at least 6.9 mills in calendar 2014; and**
16. **A net annual budget savings of \$1 million each year commencing in Fiscal 2016. The original fiscal year 2015 targeted savings amount of \$1.0 million has been identified and is detailed on the cost savings summary as of the end of March 2014. Such savings amounts are reflected in the F2015 forecasted amounts. This forecast continues the May 2013 changes in levy cycle for future operating levies from three years to four years and at a millage level reduced from 9.9 to 6.9 mills. However, key to achieving that extended lower millage cycle is a continuation of annual budget savings as mentioned above.**

Significant Changes from the prior Forecast:

- A. **Increase in Real Estate Tax & HERB Collections:** Projected F2014 results reflect a net combined \$603,000 higher real estate tax and Homestead Exemption & Rollback collections as compared to the October 2013 forecast. Because a portion of such variance is considered to be a timing difference, only a portion of such amount is reflected in F2015 receipts and a lesser portion in F2016 and beyond (see item #3 above).
- B. **Fiscal 2014 Projected Results:** The forecast reflects the projected results for the fiscal year ended June 30, 2014.
- C. **Increase in State Revenues:** The forecast reflects an anticipated net increase approximating \$1 million per year in Fiscal 2015 (both above the projected F2014 funding level and above the F2015 amount included in the October 2013 forecast).
- D. **Change in Growth Rates:** No changes in growth rates in this forecast.
- E. **Net Annual Budget Savings:** **The original fiscal year 2015 savings target amount of \$1.0 million has been identified and is detailed on the cost savings summary as of the end of March 2014. Such savings amounts are reflected in the F2015 forecasted amounts.**

SHAKER HEIGHTS CITY SCHOOL DISTRICT

Forecast Comparison
May 2014 vs. Oct 2013

	A	B	C	D	E	F	G	H	I	J	K	L	
			Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected			
			FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018		TOTAL	
3	REVENUE ANALYSIS												
5	General Property Tax - 1.010												
6	Revised Apr 2014		60,219,281	63,372,851	63,278,858	63,441,074	62,700,000	62,500,000	62,500,000	62,500,000		500,512,064	
7	Revised Sep 2013		60,219,281	63,372,851	63,278,858	62,678,858	62,428,858	62,428,858	62,428,858	62,428,858		499,265,280	
8	Increase/(Decrease) in Revenue		0	0	0	762,216	271,142	71,142	71,142	71,142		1,246,784	
10	Notes: Increase due to higher tax collections in 1st half of 2014, some considered timing, other estimated to continue forward, partially offset by small loss in commercial tax base beginning in F2015 due to Chagrin/Warrensville intersection reconfiguration												
12	Tangible Personal Prop - 1.020												
13	Revised Apr 2014		130,508	9,228	3,620	1,369,743	0	0	0	0		1,513,099	
14	Revised Sep 2013		130,508	9,228	3,620	0	0	0	0	0		143,356	
15	Increase/(Decrease) in Revenue		0	0	0	1,369,743	0	0	0	0		1,369,743	
17	Notes: Tax no longer in effect, collection in 2014 represents OfficeMax settlement amount.												
19	HERB - 1.050												
20	Revised Apr 2014		8,624,596	9,057,675	9,043,942	8,834,593	8,834,593	8,834,593	8,834,593	8,834,593		70,899,178	
21	Revised Sep 2013		8,624,596	9,057,675	9,043,942	8,993,942	8,993,942	8,993,942	8,993,942	8,993,942		71,695,923	
22	Increase/(Decrease) in Revenue		0	0	0	(159,349)	(159,349)	(159,349)	(159,349)	(159,349)		(796,745)	
24	Notes: F15 decrease due to lower collections in 1st half of 2014.												
26	TOTAL TAXES												
27	Revised Apr 2014		68,974,385	72,439,754	72,326,420	73,645,410	71,534,593	71,334,593	71,334,593	71,334,593		572,924,341	
28	Revised Sep 2013		68,974,385	72,439,754	72,326,420	71,672,800	71,422,800	71,422,800	71,422,800	71,422,800		571,104,559	
29	Increase/(Decrease) in Revenue		0	0	0	1,972,610	111,793	(88,207)	(88,207)	(88,207)		1,819,782	
31	Notes: Increase due to OfficeMax delinquent receipt and higher 1st half 2014 collections, partially offset by VanAken construction.												
33	Unrestricted Grants-in-Aid 1.035 & 1.045												
34	Revised Apr 2014		14,036,060	13,458,114	13,201,878	14,076,088	15,125,000	15,000,000	15,000,000	15,000,000		114,897,140	
35	Revised Sep 2013		14,036,060	13,458,114	13,201,878	13,627,080	14,127,080	14,127,080	14,127,080	14,127,080		110,831,452	
36	Increase/(Decrease) in Revenue		0	0	0	449,008	997,920	872,920	872,920	872,920		4,065,688	
38	Notes: Increase due to 2013-2015 State Biennial Budget increases in funding-F2013 increase resulted in an increase to F14 & F15, plus additional in F15 due to better estimate due to gain cap.												
40	Restricted Grants-in-Aid 1.040												
41	Revised Apr 2014		3,183,140	800,360	476,338	644,534	655,000	665,000	676,000	687,000		7,787,372	
42	Revised Sep 2013		3,183,140	800,360	476,338	599,000	609,000	619,000	630,000	641,000		7,557,838	
43	Increase/(Decrease) in Revenue		0	0	0	45,534	46,000	46,000	46,000	46,000		229,534	
45	Notes:												
47	Total Revenues - 2.080												
48	Revised Apr 2014		88,170,595	88,682,460	88,389,457	91,075,032	89,625,593	89,061,593	89,109,593	89,168,593		713,282,916	
49	Revised Sep 2013		88,170,595	88,682,460	88,389,457	87,951,880	88,247,880	88,270,880	88,318,880	88,377,880		706,409,912	
50	Increase/(Decrease) in Revenue		0	0	0	3,123,152	1,377,713	790,713	790,713	790,713		6,873,004	
52	Notes: Increase primarily due to 2013-2015 State Biennial Budget increases in funding, coupled with increased estimated real estate collections.												
53											Multi-Yr.Inc/(Dec) in Rev=	Inc/(Dec) in Rev=	6,873,004
54											Multi-Yr.Inc/(Dec) in Exp=	Inc/(Dec) in Exp=	22,392
55											Inc/(Dec) in Enc.=	Inc/(Dec) in Enc.=	0
55											Net Inc/(Dec) in FdBal.=	c/(Dec) in FdBal.=	6,850,612

SHAKER HEIGHTS CITY SCHOOL DISTRICT

Forecast Comparison
May 2014 vs. Oct 2013ForecastComparisonF14-Apr2014 Rev04-16-14BCC.xlsx/FORECAST
4/16/2014

	A	B	C	D	E	F	G	H	I	J	K	L
			Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected		
			FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018		TOTAL
56	EXPENDITURE ANALYSIS											
57												
58	Personal Services - 3.010											
59	Revised Apr 2014		51,139,605	50,210,780	50,745,269	51,059,000	51,634,281	52,129,000	52,628,000	53,136,000		412,681,935
60	Revised Sep 2013		51,139,605	50,210,780	50,745,269	51,109,000	51,515,000	52,007,000	52,507,000	53,018,000		412,251,654
61	Inc./(Dec.) in Expenditures		0	0	0	(50,000)	119,281	122,000	121,000	118,000		430,281
62												
63	Notes: Reflects 1% one-year CBA contract extension increases, and three custodial/maintenance positions not being replaced.											
64												
65	Emp Retirement & Benefits - 3.020											
66	Revised Apr 2014		19,851,154	19,029,788	17,578,940	17,109,600	17,899,800	18,845,400	19,910,100	21,003,272		151,228,054
67	Revised Sep 2013		19,851,154	19,029,788	17,578,940	17,433,600	18,338,200	19,330,800	20,448,500	21,595,961		153,606,943
68	Inc./(Dec.) in Expenditures		0	0	0	(324,000)	(438,400)	(485,400)	(538,400)	(592,689)		(2,378,889)
69												
70	Notes: Primarily due to lower health insurance increases effective 1/1/14											
71												
72	Purchased Services - 3.030											
73	Revised Apr 2014		12,910,557	12,148,209	13,205,518	13,795,900	14,366,600	14,914,600	15,586,600	16,088,600		113,016,584
74	Revised Sep 2013		12,910,557	12,148,209	13,205,518	14,269,900	14,710,600	15,271,600	15,958,600	16,475,600		114,950,584
75	Inc./(Dec.) in Expenditures		0	0	0	(474,000)	(344,000)	(357,000)	(372,000)	(387,000)		(1,934,000)
76												
77	Notes: Reflects savings in R&M and other expenses.											
78												
79	Textbooks, Materials & Supplies-3.040											
80	Revised Apr 2014		2,491,226	2,726,307	3,331,501	3,011,000	3,062,000	3,114,000	3,317,000	3,224,000		24,277,034
81	Revised Sep 2013		2,491,226	2,726,307	3,331,501	3,161,000	3,212,000	3,264,000	3,467,000	3,374,000		25,027,034
82	Inc./(Dec.) in Expenditures		0	0	0	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)		(750,000)
83												
84	Notes: Reflects savings in TB,M&S expenses											
85												
86	Capital Outlay - 3.050											
87	Revised Apr 2014		582,184	1,029,542	1,755,200	1,600,000	1,680,000	1,764,000	1,852,000	1,945,000		12,207,926
88	Revised Sep 2013		582,184	1,029,542	1,755,200	1,843,000	1,935,000	2,032,000	2,134,000	2,241,000		13,551,926
89	Inc./(Dec.) in Expenditures		0	0	0	(243,000)	(255,000)	(268,000)	(282,000)	(296,000)		(1,344,000)
90												
91	Notes: Due to lesser increase of capital costs than anticipated											
92												
93	Budget Reductions - 3.060											
94	Revised Apr 2014		0	0	0	0	0	(1,000,000)	(2,000,000)	(3,000,000)		(6,000,000)
95	Revised Sep 2013		0	0	0	0	(1,000,000)	(2,000,000)	(3,000,000)	(4,000,000)		(10,000,000)
96	Inc./(Dec.) in Expenditures		0	0	0	0	1,000,000	1,000,000	1,000,000	1,000,000		4,000,000
97												
98	Notes: F2015 savings target achieved and reflected in other expense categories per Budget Savings Summary as of end of March 2014.											
99												
100	Total Expend.&Other FinUses - 5.050											
101	Revised Apr 2014		88,771,390	86,977,530	88,409,869	90,766,475	90,886,406	92,105,325	93,735,575	94,941,247		726,593,817
102	Revised Sep 2013		88,771,390	86,977,530	88,409,869	89,964,475	90,965,525	92,254,725	93,967,975	95,259,936		726,571,425
103	Inc./(Dec.) in Expenditures		0	0	0	802,000	(79,119)	(149,400)	(232,400)	(318,689)		22,392
104												
105	Notes: See as described above.											
106												
107												

SHAKER HEIGHTS CITY SCHOOL DISTRICT
Forecast Comparison
May 2014 vs. Oct 2013

	A	B	C	D	E	F	G	H	I	J	K	L
			Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected		
			FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018		TOTAL
108	FUND BALANCE ANALYSIS											
109												
110	Excess of Rev vs. Exp. - 6.010											
111	Revised Apr 2014		(600,795)	1,704,930	(20,412)	308,557	(1,260,813)	(3,043,732)	(4,625,982)	(5,772,654)		(13,310,901)
112	Revised Sep 2013		(600,795)	1,704,930	(20,412)	(2,012,595)	(2,717,645)	(3,983,845)	(5,649,095)	(6,882,056)		(20,161,513)
113	Inc./(Dec.) in Net Income		0	0	0	2,321,152	1,456,832	940,113	1,023,113	1,109,402		6,850,612
114												
115	Notes: See as described above.											
116												
117												
118	Estimated Encumbrances - 8.010											
119	Revised Apr 2014		4,581,288	6,150,540	5,031,766	5,031,766	5,031,766	5,031,766	5,031,766	5,031,766		40,922,424
120	Revised Sep 2013		4,581,288	6,150,540	5,031,766	5,031,766	5,031,766	5,031,766	5,031,766	5,031,766		40,922,424
121	Inc./(Dec.) in Encumbrances		0	0	0	0	0	0	0	0		0
122												
123	Notes:											
124												
125												
126	Fund Bal. June 30 Certification - 10.010											
127	Revised Apr 2014		16,867,297	17,002,975	18,101,337	18,409,894	17,149,081	14,105,349	9,479,367	3,706,713		114,822,013
128	Revised Sep 2013		16,867,297	17,002,975	18,101,337	16,088,742	13,371,097	9,387,252	3,738,157	(3,143,899)		91,412,958
129	Inc./(Dec.) in Fund Bal.		0	0	0	2,321,152	3,777,984	4,718,097	5,741,210	6,850,612		23,409,055
130												
131	Notes: Increases due primarily to increase in State funding amounts and property tax collections.											
132												
133												
134	New Prop.Tax Revenue - 13.020											
135	Revised Apr 2014		0	0	0	0	2,667,600	5,335,200	5,335,200	5,335,200		18,673,200
136	Revised Sep 2013		0	0	0	0	2,667,600	5,335,200	5,335,200	5,335,200		18,673,200
137	Inc./(Dec.) in Fund Balance		0	0	0	0	0	0	0	0		0
138												
139	Notes:											
140												
141												
142	Unreserved Fund Bal. June 30 - 15.010											
143	Revised Apr 2014		16,867,297	17,002,975	18,101,337	18,409,894	19,816,681	22,108,149	22,817,367	22,379,913		157,503,613
144	Revised Sep 2013		16,867,297	17,002,975	18,101,337	16,088,742	16,038,697	17,390,052	17,076,157	15,529,301		134,094,558
145	Inc./(Dec.) in Fund Balance		0	0	0	2,321,152	3,777,984	4,718,097	5,741,210	6,850,612		23,409,055
146												
147	Notes: As detailed above.											
148												
170												
171												
172	FB-Retirement - Part of 3.020											
173	Revised Apr 2014		8,581,028	7,911,396	7,898,514	7,930,000	8,018,000	8,098,000	8,179,000	8,262,000		64,877,938
174	Revised Sep 2013		8,581,028	7,911,396	7,898,514	7,940,000	8,005,000	8,085,000	8,166,000	8,249,000		64,835,938
175	Inc./(Dec.) in Expenditures		0	0	0	(10,000)	13,000	13,000	13,000	13,000		42,000
176												
177	Notes:											
178												

SHAKER HEIGHTS CITY SCHOOL DISTRICT
Forecast Comparison
May 2014 vs. Oct 2013

	A	B	C	D	E	F	G	H	I	J	K	L
1			Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected		
2			FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018		TOTAL
179												
180			FB-Health Insurance - Part of 3.020									
181	Revised Apr 2014		9,793,453	9,470,299	8,237,364	7,787,000	8,364,000	9,198,000	10,116,000	11,129,000		74,095,116
182	Revised Sep 2013		9,793,453	9,470,299	8,237,364	8,000,000	8,800,000	9,678,000	10,644,000	11,709,000		76,332,116
183	Inc./(Dec.) in Expenditures		0	0	0	(213,000)	(436,000)	(480,000)	(528,000)	(580,000)		(2,237,000)
184												
185	Notes:		Due to reduction in health insurance rates as of Jan.2014.									
186												
187												
188			FB-All Other Fringes - Part of 3.020									
189	Revised Apr 2014		1,476,673	1,648,093	1,443,062	1,392,600	1,517,800	1,549,400	1,615,100	1,612,272		12,255,000
190	Revised Sep 2013		1,476,673	1,648,093	1,443,062	1,493,600	1,533,200	1,567,800	1,638,500	1,637,961		12,438,889
191	Inc./(Dec.) in Expenditures		0	0	0	(101,000)	(15,400)	(18,400)	(23,400)	(25,689)		(183,889)
192												
193	Notes:											
194			0	0	0	0	0	0	0	0		0
195			0	0	0	0	0	0	0	0		0
196												
197			PS-Repair&Maint - Part of 3.030									
198	Revised Apr 2014		1,328,373	1,063,020	1,513,877	1,324,000	1,377,000	1,432,000	1,489,000	1,549,000		11,076,270
199	Revised Sep 2013		1,328,373	1,063,020	1,513,877	1,574,000	1,637,000	1,702,000	1,770,000	1,841,000		12,429,270
200	Inc./(Dec.) in Expenditures		0	0	0	(250,000)	(260,000)	(270,000)	(281,000)	(292,000)		(1,353,000)
201												
202	Notes:		Due to lower expenses in F2014 projected beyond.									
203												
204			PS-OOD Tuition - Part of 3.030									
205	Revised Apr 2014		4,839,105	4,727,050	5,044,278	5,246,000	5,508,000	5,783,000	6,072,000	6,376,000		43,595,433
206	Revised Sep 2013		4,839,105	4,727,050	5,044,278	5,296,000	5,561,000	5,839,000	6,131,000	6,438,000		43,875,433
207	Inc./(Dec.) in Expenditures		0	0	0	(50,000)	(53,000)	(56,000)	(59,000)	(62,000)		(280,000)
208												
209	Notes:											
210												
211			PS-Utilities - Part of 3.030									
212	Revised Apr 2014		1,664,255	1,154,061	1,235,362	1,567,875	1,519,000	1,576,000	1,635,000	1,695,000		12,046,553
213	Revised Sep 2013		1,664,255	1,154,061	1,235,362	1,396,875	1,448,000	1,503,000	1,560,000	1,618,000		11,579,553
214	Inc./(Dec.) in Expenditures		0	0	0	171,000	71,000	73,000	75,000	77,000		467,000
215												
216	Notes:		Due to expected higher natural gas costs due to severe winter									
217												
218			PS-Pupil Transportation - Part of 3.030									
219	Revised Apr 2014		1,408,931	1,294,704	1,494,842	1,570,000	1,649,000	1,731,000	1,818,000	1,909,000		12,875,477
220	Revised Sep 2013		1,408,931	1,294,704	1,494,842	1,570,000	1,649,000	1,731,000	1,818,000	1,909,000		12,875,477
221	Inc./(Dec.) in Expenditures		0	0	0	0	0	0	0	0		0
222												
223	Notes:											
224												
225			PS-Rest of Prof&Tech Svces - Part of 3.030									
226	Revised Apr 2014		1,991,782	2,185,025	2,230,982	2,233,000	2,255,000	2,278,000	2,301,000	2,324,000		17,798,789
227	Revised Sep 2013		1,991,782	2,185,025	2,230,982	2,253,000	2,276,000	2,299,000	2,322,000	2,345,000		17,902,789
228	Inc./(Dec.) in Expenditures		0	0	0	(20,000)	(21,000)	(21,000)	(21,000)	(21,000)		(104,000)
229												
230	Notes:											

SHAKER HEIGHTS CITY SCHOOLS

CUYAHOGA

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2011, 2012 and 2013 Actual;
Forecasted Fiscal Years Ending June 30, 2014 Through 2018

	Actual				Average Change	Forecasted					5-Year Average Change
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013			Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	
Revenues											
1.010 General Property Tax (Real Estate)	\$60,219,281	\$63,372,851	\$63,278,858	2.5%	\$63,441,074	\$62,700,000	\$62,500,000	\$62,500,000	\$62,500,000	-0.4%	
1.020 Tangible Personal Property Tax	130,508	9,228	3,620	-76.9%	1,369,743					-25.0%	
1.030 Income Tax											
1.035 Unrestricted Grants-in-Aid	12,940,373	12,760,883	13,127,080	0.7%	14,076,088	15,125,000	15,000,000	15,000,000	\$15,000,000	1.7%	
1.040 Restricted State Grants-in-Aid	3,183,140	800,360	476,338	-57.7%	644,534	655,000	665,000	676,000	\$687,000	1.6%	
1.045 Restricted Federal Grants-in-Aid - SFSF	1,095,687	697,231	74,798	-62.8%							
1.050 Property Tax Allocation	8,624,596	9,057,675	9,043,942	2.4%	8,834,593	8,834,593	8,834,593	8,834,593	\$8,834,593		
1.060 All Other Revenues	1,977,010	1,984,232	2,384,821	10.3%	2,709,000	2,311,000	2,062,000	2,099,000	\$2,147,000	-5.3%	
1.070 <i>Total Revenues</i>	88,170,595	88,682,460	88,389,457	0.1%	91,075,032	89,625,593	89,061,593	89,109,593	89,168,593	-0.5%	
Other Financing Sources											
2.010 Proceeds from Sale of Notes											
2.020 State Emergency Loans and Advancements (Approved)											
2.040 Operating Transfers-In											
2.050 Advances-In											
2.060 All Other Financing Sources											
2.070 <i>Total Other Financing Sources</i>											
2.080 <i>Total Revenues and Other Financing Sources</i>	88,170,595	88,682,460	88,389,457	0.1%	91,075,032	89,625,593	89,061,593	89,109,593	89,168,593	-0.5%	
Expenditures											
3.010 Personal Services	51,139,605	50,210,780	50,745,269	-0.4%	51,059,000	51,634,281	52,129,000	52,628,000	\$53,136,000	1.0%	
3.020 Employees' Retirement/Insurance Benefits	19,851,154	19,029,788	17,578,940	-5.9%	17,109,600	17,899,800	18,845,400	19,910,100	\$21,003,272	5.3%	
3.030 Purchased Services	12,910,557	12,148,209	13,205,518	1.4%	13,795,900	14,366,600	14,914,600	15,586,600	\$16,088,600	3.9%	
3.040 Supplies and Materials	2,491,226	2,726,307	3,331,501	15.8%	3,011,000	3,062,000	3,114,000	3,317,000	\$3,224,000	1.8%	
3.050 Capital Outlay	582,184	1,029,542	1,755,200	73.7%	1,600,000	1,680,000	1,764,000	1,852,000	\$1,945,000	5.0%	
3.060 Budget Reductions							(1,000,000)	(2,000,000)	(3,000,000)	37.5%	
Debt Service:											
4.010 Principal-All (Historical Only)											
4.020 Principal-Notes											
4.030 Principal-State Loans											
4.040 Principal-State Advancements											
4.050 Principal and interest-HB 264 Loan			30,891		178,125	185,425	182,625	184,775	181,875	0.5%	
4.055 Principal and interest -Other			10,375		90,850	94,300	92,700	91,100	89,500	-0.3%	
4.060 Interest and Fiscal Charges											
4.300 Other Objects	1,391,664	1,447,904	1,547,175	5.4%	1,692,000	1,709,000	1,783,000	1,861,000	1,943,000	3.5%	
4.500 <i>Total Expenditures</i>	88,366,390	86,592,530	88,204,869	-0.1%	88,536,475	90,631,406	91,825,325	93,430,575	94,611,247	1.7%	
Other Financing Uses											
5.010 Operating Transfers-Out	405,000	385,000	205,000	-25.8%	2,230,000	255,000	280,000	305,000	330,000	-15.4%	
5.020 Advances-Out											
5.030 All Other Financing Uses											
5.040 <i>Total Other Financing Uses</i>	405,000	385,000	205,000	-25.8%	2,230,000	255,000	280,000	305,000	330,000	-15.4%	
5.050 <i>Total Expenditures and Other Financing Uses</i>	88,771,390	86,977,530	88,409,869	-0.2%	90,766,475	90,886,406	92,105,325	93,735,575	94,941,247	1.1%	
6.010 <i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	(600,795)	1,704,930	(20,412)	-242.5%	308,557	(1,260,813)	(3,043,732)	(4,625,982)	(5,772,654)	-72.6%	

SHAKER HEIGHTS CITY SCHOOLS

CUYAHOGA

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2011, 2012 and 2013 Actual;
Forecasted Fiscal Years Ending June 30, 2014 Through 2018

	Actual				Average Change	Forecasted					5-Year Average Change
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013			Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	22,402,450	21,801,655	23,506,585		2.6%	23,486,173	23,794,730	22,533,917	19,490,185	14,864,203	-10.3%
7.020 Cash Balance June 30	21,801,655	23,506,585	23,486,173		3.9%	23,794,730	22,533,917	19,490,185	14,864,203	9,091,549	-20.3%
8.010 Estimated Encumbrances June 30	4,581,288	6,150,540	5,031,766		8.0%	5,031,766	5,031,766	5,031,766	5,031,766	5,031,766	
Reservation of Fund Balance											
9.010 Textbooks and Instructional Materials											
9.020 Capital Improvements											
9.030 Budget Reserve	353,070	353,070	353,070			353,070	353,070	353,070	353,070	353,070	
9.040 DPIA											
9.045 Fiscal Stabilization											
9.050 Debt Service											
9.060 Property Tax Advances											
9.070 Bus Purchases											
9.080 Subtotal	353,070	353,070	353,070			353,070	353,070	353,070	353,070	353,070	
10.010 Fund Balance June 30 for Certification of Appropriations	16,867,297	17,002,975	18,101,337		3.6%	18,409,894	17,149,081	14,105,349	9,479,367	3,706,713	-29.6%
Revenue from Replacement/Renewal Levies											
11.010 Income Tax - Renewal											
11.020 Property Tax - Renewal or Replacement											
11.300 Cumulative Balance of Replacement/Renewal Levies											
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	16,867,297	17,002,975	18,101,337		3.6%	18,409,894	17,149,081	14,105,349	9,479,367	3,706,713	-29.6%
Revenue from New Levies											
13.010 Income Tax - New											
13.020 Property Tax - New							2,667,600	5,335,200	5,335,200	5,335,200	25.0%
13.030 Cumulative Balance of New Levies							2,667,600	8,002,800	13,338,000	18,673,200	76.7%
14.010 Revenue from Future State Advancements											
15.010 Unreserved Fund Balance June 30	\$16,867,297	\$17,002,975	\$18,101,337		3.6%	\$18,409,894	\$19,816,681	\$22,108,149	\$22,817,367	\$22,379,913	5.1%
ADM Forecasts											
20.010 Kindergarten - October Count	365	360	346		-2.6%	376	376	376	376	376	
20.015 Grades 1-12 - October Count	5,125	5,084	5,077		-0.5%	4,967	4,967	4,967	4,967	4,967	
20.020 Kindergarten - February Count											
20.025 Grades 1-12 - February Count											
State Fiscal Stabilization Funds											
21.010 Personal Services SFSF/Ed Jobs in F12	\$884,778	\$595,184			-66.4%						
21.020 Employees Retirement/Insurance Benefits SFSF/Ed Jobs in F12	210,909	176,845			-58.1%						
21.030 Purchased Services SFSF/Ed Jobs in F12											
21.040 Supplies and Materials SFSF/Ed Jobs in F12											
21.050 Capital Outlay SFSF/Ed Jobs in F12											
21.060 Total Expenditures-SFSF/Ed Jobs in F12	\$1,095,687	\$772,029			-64.8%						

See accompanying summary of significant forecast assumptions and accounting policies

Includes Funds: General, State Fiscal Stabilization, Education Jobs Fund, Emergency Levy, PBA, Textbook & any portion of Debt Service related to General fund debt.

Shaker Heights City School District

Summary of Significant Forecast Assumptions and Accounting Policies

Note 1 - Nature and Purpose of Presentation

This financial projection presents in accordance with the mandates of House Bill No. 412 (H. B. 412), the expected revenues, expenditures, and fund balance of the General Fund of the Shaker Heights School District (the "District") for each of the fiscal years ending June 30, 2014 through June 30, 2018, with historical unaudited information presented for the fiscal years ended June 30, 2011, 2012, and 2013. Additionally, the Textbook Subsidy Fund, USAS Fund No. 455, the school bus subsidy fund, included as part of USAS Fund No. 003, the Poverty Based Assistance Fund, USAS Fund No. 494, the State Fiscal Stabilization Fund, USAS Fund No. 532, and the Education Jobs Fund, USAS Fund No. 504 are included in the forecast, as required by H. B. 412 (as amended by subsequent legislation).

A. *Basis of Accounting*

This financial projection has been prepared on the cash receipts and disbursements basis, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this system, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

B. *Fund Accounting*

The District maintains its accounts in accordance with the principles of "fund" accounting. Fund accounting is used by governmental entities, such as school districts, to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions and activities. The transactions of each fund are reflected in a self-balancing group of accounts, which presents an accounting entity that stands separate from the activities reported in other funds. The General Fund is the operating fund of the District and is used to account for all financial resources except for those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

The assumptions disclosed herein are those that the District believes are significant to the projection. However, because circumstances and conditions assumed in projections frequently do not occur as expected, and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

Note 2 - Description of the School District

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 comprised 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 with Pre-K located in one of those schools), one elementary school (5-6), one middle school

Shaker Heights City School District

Summary of Significant Forecast Assumptions and Accounting Policies

(7-8), and one high school (9-12). 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 instruction and support facilities are staffed by 299.3 classified employees, 448.3 certificated full-time and part-time teaching and tutoring personnel, and 33.0 administrators who provide services to approximately 5,423 students. The District's teachers are represented by the Shaker Heights Teachers' Association ("SHTA"). Classified employees (secretarial-clerical, custodial, maintenance, and transportation) of the District are represented for collective bargaining purposes by two other unions. Non-bargaining employees include educational specialists, aides, security staff and all administrators and supervisors.

Note 3 - General Assumptions

Summarized below are the significant general assumptions underlying the financial forecast.

A. Enrollment/Average Daily Membership (ADM)

Enrollment refers to the number of students registered with the District as intending to attend school. Average Daily Membership (ADM) is the number of full time equivalent (FTE) students for which the State funds the District. ADM is a smaller number than enrollment typically due to the loss of student counts for unexcused absences by enrolled students during the first full week of October each year, the State's official ADM count week. State funded ADM is estimated to remain stable during the projection period at a level approximating 5,423 per year.

B. Staffing

The reduction in staffing levels for Fiscal 2007 reflect the budget reduction actions taken and implemented by the District, most of which became effective at the beginning of Fiscal 2007. The increase in staffing levels between Fiscal 2007 and Fiscal 2008 include an increase of 9.4 positions attributable to the reclassification as employees effective in Fiscal 2008. The increase in staffing levels between Fiscal 2009 and Fiscal 2010 include an increase of 7.5 Teacher Aides, and an increase of 9.4 positions funded by Federal Stimulus monies.

Staffing levels between Fiscal 2010 and Fiscal 2011 decreased due to the outsourcing of the District's food service operations effective in the fall of 2010, and to reflect reductions in employees as part of the District's \$2 million per year budget reductions beginning with the adopted Fiscal 2011 budget appropriations. Staffing levels between Fiscal 2011 and Fiscal 2012 decreased as a result of additional position reductions at the beginning of Fiscal 2012, primarily through attrition. Actual and projected staffing levels through Fiscal 2013 are as follows:

Shaker Heights City School District
Summary of Significant Forecast Assumptions and Accounting Policies

STAFFING CATEGORY	FYE 2004	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013
Regular Instruction	349.3	353.2	347.1	327.3	339.6	343.5	344.1	333.2	322.5	322.5
Special Instruction	41.2	40.6	45.6	52.2	51.1	49.3	48.5	48.8	50.5	50.5
Spec.Instr.-Stimulus							**1.7	1.7	0.0	0.0
Vocational Instruction	0.9	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0
Pupil Support Services	160.5	153.2	151.6	151.8	149.7	156.0	**162.3	152.4	162.1	162.1
Pup.SuptServ-Stimulus							**7.7	8.5	0.0	0.0
Administrators	35.0	35.0	35.0	34.0	33.0	32.0	32.0	32.0	33.0	33.0
Operation of Plant	83.0	84.0	87.0	73.6	72.6	74.0	74.0	72.0	72.0	72.0
Pupil Transportation	35.5	41.0	32.5	31.5	32.9	31.6	31.9	31.3	31.3	31.3
Food Service Program	12.9	13.1	19.2	19.6	22.3	21.6	23.9	***0.0	0.0	0.0
Other	97.9	97.2	96.2	95.3	*104.7	110.3	109.7	110.2	109.2	109.2
Total Employees	816.2	818.3	815.2	786.3	806.9	819.3	**836.8	790.1	780.6	780.6

* Increase from prior year due to reclassification as employee status effective in Fiscal 2008.

** Increase from prior year includes 7.5 Teacher Aides and 9.4 positions funded by Federal Stimulus funds.

***Decrease due to outsourcing of Food Service operations at beginning of year.

C. Budget Savings (Line 3.06)

Under the current set of long-range forecast assumptions, additional unidentified permanent budget reductions are indicated approximating \$1.0 million in each year beginning in Fiscal 2015, and are reflected on this line item and appear as a negative value. The previously unidentified \$1 million of budget savings originally planned for Fiscal 2015 have been identified and are reflected in the Fiscal 2015 respective expenditure line items of the forecast, and consequently are no longer included on Line 3.06 in the Fiscal 2015 column of the forecast. Additional budget adjustments would be required in the event other such projected future events do not occur.

Revenue Assumptions

The District's primary sources of revenue are from the levying of property taxes on real property located within the District boundaries, and from the State of Ohio through the State Foundation program. The following notes provide information with respect to the revenue categories.

Note 4 - Property Taxes (Lines 1.01 & 1.02)

A. General Property (Real Estate) and Tangible Personal Property Taxes

Property taxes that are levied and assessed on a calendar year basis include amounts levied against all real public utility, and tangible personal (used in business) property located in the school district. Assessed values for real property taxes are established by state law at 35% of the appraised market value. All real property is required to be revalued every six years and updated mid-way through the six-year period. The utility property taxes are assessed on tangible personal property at 88% of true value and on public utility real property at 35% of true value. Tangible personal property taxes are assessed at 25% of true value. In 1976, during periods of high inflation, the Ohio General Assembly passed House Bill No. 920. This law provides that real property owners receive tax credits equal to any tax increase caused by an increase in value of all real property in taxing districts as a result of reappraisal, update or readjustment. This does not apply to inside non-voted millage, tangible property or new construction. In effect, House Bill 920 removes inflationary revenue growth from the applicable real property by requiring an adjustment to the voted millage rate, thereby resulting in a lower effective millage rate.

Shaker Heights City School District

Summary of Significant Forecast Assumptions and Accounting Policies

The forecast reflects the decrease in assessed value for 2013, after which the forecast assumes growth during the rest of the projection period only for the inside millage, due to the maintenance effect of H.B. 920. The General Fund millage consists of 4.1 inside or statutory mills, and 143.03 (effective January 1, 2001), and 152.63 (effective January 1, 2004) outside or voted mills, all of which are continuing. On May 2, 2006, the District's voters approved by a 60.7% margin a new 9.9 mill current operating expense levy for a continuing period of time, which increased the voted millage total to 162.53 effective January 1, 2007. And on May 4, 2010, the District's voters approved by a 58.1% margin an additional 9.9 mill current operating expense levy for a continuing period of time, which increased the voted millage total to 172.43 effective January 1, 2011. That levy accounts for the increased revenues reflected in General Property Tax revenue (Line 1.01) in Fiscal 2011 and Fiscal 2012.

General Property Tax revenues were anticipated to decline in Fiscal 2014 in response to an expected decrease in the tax year 2012 (tax collection year 2013) property tax assessed valuation. Such decrease is reflective of the continuing depression in the real estate market, which is directly impacting the 2012 required sexennial reappraisal of all real estate property. The decrease is caused by the limitations incorporated into House Bill No. 920 whereby tax rates cannot be raised above the original voted millage rate as a result of a reduction in carryover property valuation. Because first half 2014 tax collections exceeded budget, the net impact of these two events has resulted in a projected slight increase in Fiscal 2014 real property tax collections over Fiscal 2013. Such amounts are accordingly reflected in the forecast.

In 1999, the Ohio Legislature passed and the Governor approved legislation calling for the reduction in the assessed valuation percentage for the inventory portion of the personal property tax to be reduced from the then current 25% to 0% over a 25-year period (reduction of 1 percentage point per year). As a component of the biennial budget bill for fiscal years 2004 and 2005, this phase-out was accelerated from 1 to 2 percentage points per year. Additionally, the personal property tax exemption for the first \$10,000 of taxable value was to be phased out over ten years beginning in calendar 2003.

In accordance with other State legislation, the District was held harmless for the five calendar years 2002 through 2006 with respect to the changes implemented with regard to the tax valuation reductions for electric and natural gas public utilities. Accordingly, a shift of tax revenue to Restricted Grants-In-Aid occurred and is reflected in the actual results for those years through Fiscal 2011. Because the District had been on the State Foundation "guarantee" (see Unrestricted Grants-In-Aid discussion below) it qualified for continuation of the make-up payments. As a result of reductions in aide to school districts incorporated into House Bill No. 153, the State's Fiscal 2012 & 2013 biennial budget bill, the phase-out of the public utility tax reimbursement payments to school districts was accelerated such that the District no longer receives such payments as of the end of Fiscal 2012. Accordingly, the forecast reflects the elimination of such continuation payments that approximated \$776,000 per year.

The adoption of House Bill No. 66, the state's biennial budget for Fiscal years 2006 and 2007, was enacted in June 2005. Such legislation adopted wide-sweeping changes in the state's tax structure. The bill provided for among other things, the reduction in personal income tax rates over a five-year period, the elimination of the corporate franchise tax, the institution of a commercial activity tax, the elimination of the tangible personal property tax, and the elimination of the Cost of Doing Business Factor portion of the State Foundation formula aid calculation.

The most significant impact of such legislation to the District was the elimination of the personal property tax and the elimination of the Cost of Doing Business Factor. Such changes, once fully implemented and after all planned reimbursement periods had lapsed, were to result in the loss of approximately \$2 million for each of the two factors, for a total of \$4 million per year in 2005 dollars. With regards to the lost personal property tax revenues, the legislation incorporated a reimbursement payment to school districts during a five-year phase-out period (tax years 2006 through 2010), after which the payments would be phased down to zero over the following eight years (tax years 2011 through 2018). Although House Bill

Shaker Heights City School District
Summary of Significant Forecast Assumptions and Accounting Policies

No. 1 (the Fiscal 2009 & 2010 biennial budget bill) approved in July 2009 included a provision increasing by two years the reimbursement at 100% of the maximum before phasing out as originally scheduled, House Bill No. 153, the Fiscal 2012 & 2013 biennial budget accelerated such phase-out whereby the District's payments were reduced from \$2.2 million to \$0.5 million in Fiscal 2012 and reduced to zero in Fiscal 2013 and beyond. The historical forecast years reflects the reduction and ultimate elimination of the local Tangible Personal Property Tax (line 1.02), while the State reimbursement payments were included in Restricted State Grants-In-Aid (line 1.04).

B. *New Property Tax (Line 13.02)*

This financial line includes the forecasted tax revenue assuming that a continuing property tax levy with a projected yield equivalent of 6.9 mills is approved by the District voters in calendar 2014.

Note 5 - Unrestricted Grants-In-Aid (Line 1.035)

The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. Through Fiscal 2009, State Foundation payments (line 1.035) under the Ohio Revised Code were calculated by the State Department of Education on the basis of pupil enrollment, classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. House Bill No. 1 (H.B. No. 1), the State's biennial budget bill for the 2010-2011 fiscal years, incorporated the Governor's Evidence Based Model (EBM) for education. The rules and requirements for the EBM were to be developed by the Ohio Department of Education (ODE) and were to be implemented over the ensuing ten years. The 2010 general election resulted in a change in control of the State Offices including Governor. Subsequently, the new General Assembly repealed the EBM, thereby cancelling the provisions of such program. The State administration developed a new funding allocation formula to be implemented in Fiscal 2013 that was subsequently delayed until Fiscal 2014 as part of the new State's Fiscal 2014 & 2015 biennial budget bill (see below).

The State utilized significant Federal dollars from the American Recovery and Reinvestment Act (ARRA), aka Stimulus Funds, to fill a gap in its 2010-11 two-year biennial budget. The State Fiscal Stabilization Fund (SFSF) monies received by the District are shown separately on Line 1.045 of the forecast and amounted to \$914,813 in Fiscal 2010 and \$1,095,687 in Fiscal 2011. Such funds were available for only the 2010 and 2011 fiscal years. Subsequent Federal legislation created the Education Jobs Fund, for which the District received \$772,029 to be used to "save" District jobs. Such funds, which the District used in Fiscal 2012, are also reflected on Line 1.045 in the Fiscal 2012 column with the final payment received in July 2012. As part of House Bill No. 153, the State's Fiscal 2012 & 2013 biennial budget bill, the SFSF payments were not replaced with State money, thereby resulting in a District loss approximating \$1.1 million per year.

Other legislated reductions in school funding included the accelerated phase-out of the public utility and the tangible personal property reimbursement payments resulting in a District loss approximating \$2.6 million in Fiscal 2012 and \$3.1 million in Fiscal 2013. Such State funding was previously reflected on Line 1.040.

In June 2013, the Ohio General Assembly passed amended Substitute House Bill No. 59 that embodied the State's Fiscal 2014 & 2015 biennial budget. The final provisions of the bill incorporated a new school funding model, which provided for increased funding to the District. The increase, net of increased deductions for Community Schools, was originally estimated to result in \$500,000 additional State Foundation funding in Fiscal 2014 and an additional increase of \$500,000 in Fiscal 2015.

With a subsequent adjustment in the State's Fiscal 2013 per pupil final allocation, the District's Fiscal

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2014 funding is now projected to approximate \$14.1 million, for a \$449,000 or 3.3% favorable variance from the budgeted \$13.6 million. Because the District is subject to the “gain cap” (which means that the District funding in Fiscal 2014 is as per calculated under the new formula, subject to a limit of 6.25% gain or increase above the prior year funding amount), the Fiscal 2013 Final #2 increase triggered the Fiscal 2014 and Fiscal 2015 funding amounts to increase. The District gain cap, the amount of money not being paid to the District under the provisions of the “gain cap” limitation for Fiscal 2014, approximates \$1.7 million. The District’s gain cap for Fiscal 2015 is 10.5% of the Fiscal 2014 funding amount. Accordingly, the forecasted State Foundation funding amounts for Fiscal 2015 and beyond reflect the new estimated higher funding amounts.

Other than an expected slight decrease in Fiscal 2016 funding due to the biennial resetting of the State Share Index (the index used by the State to allocate State Foundation monies based upon a district’s property tax and income wealth relative to all other districts in the state), the State Foundation funding is assumed to remain “flatlined” during the remaining years of the forecast period. Changes in State funding different from this assumption may have a material effect on the finances of the District and this forecast.

Note 6 - Restricted Grants-In-Aid (Line 1.04 and Line 1.045)

The components of Line 1.04, Restricted State Grants-In-Aid include the following categories (in thousands):

	2011	2012	2013	2014	2015	2016	2017	2018
Bus Purchase Subsidy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	10	4	5	5	5	5	5	5
Special Education Catastrophic Aid	250	318	359	368	377	386	396	406
Casino Tax Revenue	0	0	112	272	273	274	275	276
Public Utility Tax Reimbursement	776	0	0	0	0	0	0	0
Tangible Personal Property Tax Reimb.	2,147	478	0	0	0	0	0	0
State Formula Adj	0	0	0	0	0	0	0	0
Total Other State	\$3,183	\$800	\$476	\$645	\$655	\$665	\$676	\$687

The components of Line 1.045, Restricted Federal Grants-In-Aid include the State Fiscal Stabilization Funds received during the fiscal years 2010 and 2011, and the Education Jobs Federal funds in fiscal years 2012 and 2013.

Note 7 - Property Tax Allocation (Line 1.05)

State law grants tax relief in the form of a 10% reduction in real property tax bills. In addition, a basic 2.5% rollback is granted on owner-occupied residential property taxes and additional relief is granted to qualified elderly and disabled homeowners based on income (homestead exemption). The State reimburses the school district for the loss of real property tax collections as a result of such provisions in the law. Such 10% reduction in commercial real property tax bills was eliminated by a provision of H.B. No. 66 effective in 2006. The elimination of the 10% credit to commercial real property taxpayers resulted in lower reimbursements to the District for this line item beginning in Fiscal 2006. However, the loss of the credit resulted in higher local property tax collections that are included in General Property

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Tax (line 1.01). The increases in property tax allocation for fiscal years 2011 and 2012 are attributable to the May 2010 voter-approved 9.9 mill current operating levy which began collections January 1, 2011. As part of House Bill No. 59, the State's Fiscal 2014 & 2015 biennial budget bill, the State will no longer grant the 12.5% rollback credits for new tax levies approved on or after the November 2013 general election. The credits will continue to be granted for all existing levies. There is no impact to the District's revenues as a result of this change.

Note 8 - All Other Revenues (Line 1.06)

The components of this financial line include the following categories (in thousands):

	2011	2012	2013	2014	2015	2016	2017	2018
Investment Earnings	\$301	\$223	\$153	\$120	\$120	\$120	\$120	\$120
Other Local Receipts	1,564	1,682	2,149	1,796	1,819	1,854	1,889	1,935
Federal Receipts – CAFS	112	79	83	793	372	88	90	92
Total All Other Revenues	\$1,977	\$1,984	\$2,385	\$2,709	\$2,311	\$2,062	\$2,099	\$2,147

A. Investment Earnings

Investment earnings are assumed to yield returns on investable cash balances during the forecast period averaging in the 0.25 – 1.0% range. This also includes investment earnings on other District funds cash balances as allowable under State law.

B. Other Local Receipts

This category includes primarily tuition as well as a variety of miscellaneous receipts not categorized elsewhere. The forecasted amounts assume minor fluctuations during the projection period.

C. Federal Receipts

This category consists primarily of the Medicaid billing reimbursement program receipts. The termination of the CAFS program by the State of Ohio effective July 1, 2005, resulted in minimal collections in Fiscal 2006. After three years of protracted litigation and negotiation with the State and Federal authorities, the Ohio Medicaid School Program (OMSP) was approved during the summer of 2008, with a retroactive effective date of July 1, 2005. Included in Fiscal 2009 receipts were \$93,909 in reimbursements under the new program. All of fiscal years 2010, 2011, 2012 & 2013 receipts are reimbursements under the new program. Accordingly, the forecast includes estimated receipts in Fiscal 2014 and beyond under the new program. The Fiscal 2014 forecasted amount includes adjudicated final settlement amounts for Fiscal years 2010 and 2011 under the new program approximating \$714,000. The Fiscal 2015 amount includes an adjudicated final settlement amount for Fiscal 2012 approximating \$286,000. The amount of future final settlement amounts are uncertain at this time and accordingly are not included in future years projected amounts.

Expenditure Assumptions

Note 9 - Personal Services - Salaries and Wages (Line 3.01)

The projected salaries through the end of Fiscal 2014 are based on the terms of the existing ratified union contracts. As delineated in Note 3, staffing levels beyond Fiscal 2011 decreased reflecting additional position reductions at the beginning of Fiscal 2012, primarily through attrition. Staffing levels for Fiscal

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2013 and beyond are expected to remain level with Fiscal 2012 levels.

On January 1, 2007, a new Teacher's contract became effective which called for annual contractual increases of 1%, 2%, and 3%, respectively on April 1st of each of the three years of the contract beginning April 1, 2007. On July 1, 2007, new contracts became effective for the District's two classified collective bargaining groups, which call for annual contractual increases of 1%, 2%, and 2%, respectively on September 1st of each of the three contract years beginning September 1, 2007. Effective January 1, 2010, a one-year extension of the teachers' contract became effective that provided for no contractual increases. Additionally, effective July 1, 2010 both of the District's other two collective bargaining agreements were extended for one year at a zero contractual increase. In April 2011, an agreement retroactive to January 1, 2011, was reached with the District's primary labor group, the Shaker Heights Teachers' Association (SHTA). The agreement was ratified by both the SHTA membership and the Board of Education in late April. The economic provisions of the new three-year collective bargaining agreement include no contractual or step increases in 2011, and no contractual increases to base in 2012 or 2013. A 1% of base salary stipend was payable on January 16, 2012 and January 16, 2013. Additionally, the employees' portion of health insurance shared premiums increased from 8% to 12% effective January 1, 2012. Various other changes to co-pays, deductibles and co-insurance percentages also went into effect January 1, 2012. The economic provisions of such negotiated agreement are reflected in the forecast.

On July 1, 2011, new three-year contracts became effective for the District's two classified collective bargaining groups. The economic provisions of these two new contracts mirror the provisions of the SHTA contract described above, except that the 1% stipend is payable in the fall of 2012 and 2013, and the increased shared premium percentage goes into effect July 1, 2012.

In late 2013, the District entered into a one-year renewal contract with SHTA which provides for a 1% base salary increase effective January 1, 2014. In addition to reflecting such increase for SHTA members, the forecast also incorporates an expected 1% base salary increase for the District's two classified collective bargaining groups as well as its non-bargaining employees effective July 1, 2014.

The salary increases utilized in determining the projected year amounts also incorporate contractual step increase percentages including the impact of new employees, retirements, job vacancies, salary schedule advancements, and grant fund usage.

Note 10 - Fringe Benefits (Line 3.02)

Fringe benefit costs include the following categories of expenses:

A. *Retirement Contributions*

Projected costs are based on applying the effective statutory rates to the respective years' salaries and wages.

B. *Health Care Costs*

The forecasted health care costs for Fiscal 2014 are based on the terms of the existing health contracts and the current number of employees. For years beyond 2014 health care costs are projected to increase at rates greater than the general inflation rate (10.0%), but reflect anticipated savings of the negotiated collective bargaining agreement.

C. *Workers Compensation*

The School District participates in the Ohio Bureau of Workers' Compensation (the Bureau) Retrospective Rating Plan. Under the retrospective rating plan, the School District assumes a portion of

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the claims expense risk in return for a reduction in current premiums.

The projection for 2014 is based upon estimated costs including the benefit of any discounts granted by the Bureau. Costs for the years subsequent to 2014 are projected to increase at rates greater than the general inflation rate.

D. Medicare, Unemployment and Life Insurance

The projection of these benefits for 2014 is based upon actual results of Fiscal 2011, Fiscal 2012 and Fiscal 2013. Forecasted costs for the years subsequent to 2014 are projected to increase at a minor rate of inflation other than amounts attributable to the increasing number of District employees who are subject to the Medicare tax.

Note 11 - Purchased Services (Line 3.03)

The projection for 2014 is based upon actual results of Fiscal 2012 and Fiscal 2013. Costs over the five-year projection period increase at an average 3.9% and include a higher allocation for anticipated repairs & maintenance costs. This category includes out-of-district tuition, special education transportation, repairs & maintenance, and utilities, which are the major cost drivers in this category.

Note 12 - Materials, Supplies, and Textbooks (Line 3.04)

The projection period includes additional allotments in certain years to accommodate the need for new textbook adoptions. Costs over the five-year projection period increase at an average 1.8% per year (including the extra allotments).

Note 13 - Capital Outlay (Line 3.05)

This financial line includes capital oriented repair & maintenance and purchases of equipment and certain vehicles. Major building repairs and renovations were previously funded by the District's bond issue capital fund and were not included in this report however such funds have been fully utilized and thus must be funded by the general fund. Accordingly, there has been a significant increase in expenditures for this line item since Fiscal 2011.

Note 14 - Debt Service (Lines 4.01 through 4.06)

The forecast includes only those outstanding debt issuances that are funded by the General Fund. Therefore, District general obligations that are paid by the District's Debt Service Fund, which are funded by a separate dedicated property tax are excluded from this forecast. In Fiscal 2012, the District undertook and subsequently completed in Fiscal 2013, two capital projects calling for long-term financial borrowing approximating \$3.2 million. The estimated loan repayments for principal and interest are included in this section.

Note 15 - Other

A. Transfers and Advances In and Out (Lines 2.04, 2.05, 5.01 and 5.02)

Projected transfers and advances in/out are based on historical amounts of transfers and advances. The projection assumes that the out amounts combined will average \$280,000 per year for fiscal years 2014

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through 2018, excluding a one-time \$2 million transfer in Fiscal 2014. The \$2 million transfer in Fiscal 2014 represents the Board of Education's March 2014 resolution to transfer to the District's Capital Fund the combined windfall receipt amounts consisting of a net \$1.3 million of delinquent personal property taxes to be collected in Fiscal 2014 and the \$0.7 million Medicaid reimbursement program final settlement payments received in March and April 2014.

B. Other Objects (Line 4.30)

The main components of this category include County Auditor & Treasurer fees for the collection of tax receipts, insurance coverages, and other object categories. The projection for 2014 is based upon actual results of Fiscal 2012 and Fiscal 2013. Costs over the five-year projection period increase at an average 3.5% per year to reflect expected increases.

C. Encumbrances (Line 8.01)

The District uses the encumbrance method as part of formal budgetary and management control. Under this method, purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation for future payment. Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid for as of year-end. The forecast assumes a constant level of \$5.0 million of outstanding encumbrances for each year during the forecast period.

D. Reservations of Fund Balance (Lines 9.01 through 9.08)

The Textbooks and Instructional Materials (9.01), Capital Improvements (9.02), and Budget Reserve (9.03) are reserves mandated under the provisions of House Bill 412. These financial lines reflect the cumulative reserve balance required at the end of the respective fiscal year end. The required amounts are determined by and can only be utilized for expenditures in accordance with the rules jointly adopted by the Auditor of State and the Ohio Department of Education for each respective reserve. The Bus Purchases Reserve (9.07) financial line reflects the accumulated and unspent subsidy amount received from the State solely to be used for the purchase and/or lease of school buses. Expenditures of such reserve amounts as they occur will be reflected in the expenditure section of the forecast as applicable. As of Fiscal 2014, the District has a balance in only one reserve account, the Budget Reserve amounting to \$353,070.

Note 16 – Subsequent Event

A. Passage of an Operating Levy

On May 6, 2014, the District's voters approved by a 60% margin a new 6.9 mill current operating expense levy for a continuing period of time, which increased the voted millage total to 179.33 effective January 1, 2015. Because this forecast was prepared prior to the passage of the levy, the proceeds from such new voter-approved levy are still reflected in Line 13.020, Revenue from New Property Tax Levies. Such amounts will be reclassified to the applicable revenue line, Line 1.010, General Property Tax (Real Estate) at the next filing of the forecast.