

Garfield Heights City Schools



Five Year Forecast

Fiscal Years 2012 through 2016

Board of Education

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October 2011

**TO: THE GARFIELD HEIGHTS CITY SCHOOLS BOARD OF EDUCATION, ADMINISTRATORS,
STAFF, COMMUNITY OF GARFIELD HEIGHTS, AND READERS**

RE: FINANCIAL FORECASTED FISCAL YEARS 2012 THROUGH 2016

The financial forecast, presents, to the best of the Treasurer's knowledge and beliefs, the Garfield City Schools expected financial position and results of operations for the forecasted periods. Accordingly, the forecast reflects judgments as of October 10, 2011.

A forecast is somewhat like a painting of the future based upon a snapshot of today. That snapshot, however, will be adjusted and the further into the future the forecast extends, the more likely it is that the projections will deviate from actual experience. A variety of events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/ replacement), salary increases, or businesses moving in or out of the district. The five-year forecast is viewed as a **key management tool** and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are very important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. Extra caution is urged when analyzing the out years of these fiscal projections. Because we are attempting to look four years into the future, several significant assumptions were made that have an impact on the bottom line.

Managing long-term plans, in and of itself, will not ensure fiscal stability. As long as the current method of funding public education in Ohio remains, there will be periodic needs for additional operating revenues.

Since the preparation of a meaningful five-year forecast is as much an art as it is a science and entails many intricacies, it is recommended that you contact me with any questions you may have.

Respectfully submitted,

Allen D. Sluka

Allen D. Sluka
Treasurer/CFO

GARFIELD HEIGHTS CITY SCHOOL DISTRICT - - CUYAHOGA COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

	Actual			Forecasted				
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Revenue:								
1.010 General Property Tax (Real Estate)	12,300,416	11,899,176	12,105,157	11,677,372	11,595,729	11,530,757	11,550,650	11,663,015
1.020 Tangible Personal Property Tax	1,132,942	749,967	583,866	583,884	583,884	583,884	583,884	583,884
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	17,804,305	17,317,715	17,523,863	16,899,543	16,876,159	16,881,156	16,886,252	16,891,451
1.040 Restricted Grants-in-Aid	473,267	321,093	162,636	967,900	85,000	85,000	85,000	85,000
1.050 Property Tax Allocation	2,632,692	2,951,581	2,996,351	2,237,789	2,097,906	2,081,168	2,081,168	2,094,223
1.060 All Other Revenues	1,507,023	1,040,209	1,154,994	1,041,994	1,041,994	1,041,994	1,041,994	1,041,994
1.070 Total Revenues	35,850,645	34,279,741	34,526,867	33,408,482	32,280,672	32,203,960	32,228,949	32,359,568
2.070 Total Other Financing Sources	197,550	705,224	325,855	737,375	0	0	0	0
2.080 Total Revenues and Other Financing Sources	36,048,195	34,984,965	34,852,722	34,145,857	32,280,672	32,203,960	32,228,949	32,359,568
Expenditures:								
3.010 Personal Services	21,639,353	20,688,274	19,520,756	20,155,181	20,578,439	20,990,008	21,357,333	21,677,693
3.020 Employees' Retirement/Insurance Benefits	7,285,387	7,168,820	6,841,548	7,079,942	7,536,796	7,994,558	8,506,556	9,034,182
3.030 Purchased Services	5,426,171	5,256,437	4,709,226	5,085,964	5,594,560	6,154,017	6,769,418	7,446,360
3.040 Supplies and Materials	801,830	602,367	530,656	751,882	774,439	797,672	821,602	846,250
3.050 Capital Outlay	280,548	113,725	145,134	149,488	153,973	158,592	163,350	168,250
3.060 Intergovernmental	0	0	0	0	0	0	0	0
4.000 Debt Service	734,085	734,085	734,085	734,000	282,820	282,820	282,820	282,820
4.300 Other Objects	506,790	603,553	618,877	680,765	667,149	687,164	707,779	729,012
4.500 Total Expenditures	36,674,164	35,167,261	33,100,282	34,637,221	35,588,177	37,064,830	38,608,858	40,184,567
Other Financing Uses								
5.010 Operating Transfers-Out	45,645	166	35,772	100,000	100,000	100,000	100,000	100,000
5.020 Advances-Out	705,000	388,500	737,375	0	0	0	0	0
5.030 All Other Financing Uses	0	0	10,100	5,000	5,000	5,000	5,000	5,000
5.040 Total Other Financing Uses	750,645	388,666	783,247	105,000	105,000	105,000	105,000	105,000
5.050 Total Expenditures and Other Financing Uses	37,424,809	35,555,927	33,883,529	34,742,221	35,693,177	37,169,830	38,713,858	40,289,567
Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses								
6.010	-1,376,614	-570,962	969,193	-596,364	-3,412,505	-4,965,871	-6,484,909	-7,930,000
Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies	3,729,657	2,353,043	1,782,081	2,751,274	2,154,910	-1,257,595	-6,223,466	-12,708,375
7.020 Cash Balance June 30	2,353,043	1,782,081	2,751,274	2,154,910	-1,257,595	-6,223,466	-12,708,375	-20,638,374
8.010 Estimated Encumbrances June 30	758,682	397,284	580,534	0	0	0	0	0
9.080 Subtotal -- Reservation of Fund Balance	500,000	0	0	0	0	0	0	0
10.010 Fund Balance for June 30 Appropriation Cert.	1,094,361	1,384,797	2,170,740	2,154,910	-1,257,595	-6,223,466	-12,708,375	-20,638,374
11.030 Cumulative Balance of Repl./Renewal Levies	0	0	0	0	0	0	0	0
Fund Balance June 30 for Certification								
12.011 of Contracts, Salary and Other Obligations	1,094,361	1,384,797	2,170,740	2,154,910	-1,257,595	-6,223,466	-12,708,375	-20,638,374
13.030 Cumulative Balance of New Levies	0	0	0	0	0	0	0	0
14.010 Revenue from Future State Advancements								
15.010 Unreserved Fund Balance June 30	1,094,361	1,384,797	2,170,740	2,154,910	-1,257,595	-6,223,466	-12,708,375	-20,638,374

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See accompanying summary of significant forecast assumptions and accounting policies.

2012 2013 2014 2015 2016

GARFIELD HEIGHTS CITY SCHOOL DISTRICT - - CUYAHOGA COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND FORECASTED OPERATING FUND

	Prev 3 Yr Avg Annual Change	Projected Fiscal Year 2012	Projected Fiscal Year 2013	Projected Fiscal Year 2014	Projected Fiscal Year 2015	Projected Fiscal Year 2016	Five-Year Avg. Annual Change
Revenue:							
1.010 General Property Tax (Real Estate)	-0.77%	-3.53%	-0.70%	-0.56%	0.17%	0.97%	-0.73%
1.020 Tangible Personal Property Tax	-27.98%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.030 Income Tax		n/a	n/a	n/a	n/a	n/a	n/a
1.035 Unrestricted Grants-in-Aid	-0.77%	-3.56%	-0.14%	0.03%	0.03%	0.03%	-0.72%
1.040 Restricted Grants-in-Aid	-40.75%	495.13%	-91.22%	0.00%	0.00%	0.00%	80.78%
1.050 Property Tax Allocation	6.81%	-25.32%	-6.25%	-0.80%	0.00%	0.63%	-6.35%
1.060 All Other Revenues	-9.97%	-9.78%	0.00%	0.00%	0.00%	0.00%	-1.96%
1.070 Total Revenues	-1.83%	-3.24%	-3.38%	-0.24%	0.08%	0.41%	-1.27%
Other Financing Sources:							
2.010 Proceeds from Sale of Notes		n/a	n/a	n/a	n/a	n/a	n/a
2.030 State Emergency Loans and Advancements		n/a	n/a	n/a	n/a	n/a	n/a
2.040 Operating Transfers-In.		n/a	n/a	n/a	n/a	n/a	n/a
2.050 Advances-In	91.36%	304.71%	-100.00%	n/a	n/a	n/a	102.35%
2.060 All Other Financing Sources		-100.00%	n/a	n/a	n/a	n/a	-100.00%
2.070 Total Other Financing Sources	101.60%	126.29%	-100.00%	n/a	n/a	n/a	13.14%
2.080 Total Revenues and Other Financing Source	-1.66%	-2.03%	-5.46%	-0.24%	0.08%	0.41%	-1.45%
Expenditures:							
3.010 Personal Services	-5.02%	3.25%	2.10%	2.00%	1.75%	1.50%	2.12%
3.020 Employees' Retirement/Insurance Benefits	-3.08%	3.48%	6.45%	6.07%	6.40%	6.20%	5.72%
3.030 Purchased Services	-6.77%	8.00%	10.00%	10.00%	10.00%	10.00%	9.60%
3.040 Supplies and Materials	-18.39%	41.69%	3.00%	3.00%	3.00%	3.00%	10.74%
3.050 Capital Outlay	-15.92%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3.060 Intergovernmental Debt Service:							
4.010 Principal-All (History Only)	0.00%	-100.00%	n/a	n/a	n/a	n/a	-100.00%
4.020 Principal-Notes		n/a	-100.00%	n/a	n/a	n/a	-100.00%
4.030 Principal-State Loans		n/a	n/a	n/a	n/a	n/a	n/a
4.040 Principal-State Advancements		n/a	n/a	n/a	n/a	n/a	n/a
4.050 Principal-HB 264 Loans		n/a	n/a	n/a	n/a	n/a	n/a
4.055 Principal-Other		n/a	-0.06%	0.00%	0.00%	0.00%	-0.02%
4.060 Interest and Fiscal Charges		n/a	n/a	n/a	n/a	n/a	n/a
4.300 Other Objects	10.82%	10.00%	-2.00%	3.00%	3.00%	3.00%	3.40%
4.500 Total Expenditures	-4.99%	4.64%	2.75%	4.15%	4.17%	4.08%	3.96%
Other Financing Uses							
5.010 Operating Transfers-Out	10674.88%	179.55%	0.00%	0.00%	0.00%	0.00%	35.91%
5.020 Advances-Out	22.45%	-100.00%	n/a	n/a	n/a	n/a	-100.00%
5.030 All Other Financing Uses		-50.50%	0.00%	0.00%	0.00%	0.00%	-10.10%
5.040 Total Other Financing Uses	26.65%	-86.59%	0.00%	0.00%	0.00%	0.00%	-17.32%
5.050 Total Expenditures and Other Financing Use	-4.85%	2.53%	2.74%	4.14%	4.15%	4.07%	3.53%
6.010 Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing U	-164.14%	-161.53%	472.22%	45.52%	30.59%	22.28%	81.82%
7.010 Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies	-30.59%	54.39%	-21.68%	-158.36%	394.87%	104.20%	74.68%
7.020 Cash Balance June 30	15.06%	-21.68%	-158.36%	394.87%	104.20%	62.40%	76.29%

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

This forecast is a financial planning tool for the Garfield Heights City School District (the “District”) and presents the expected revenues, expenditures, and operating balance of the District’s operating fund, for each of the fiscal years ending June 30, 2012 through June 30, 2016, with historical information presented for the fiscal years ended June 30, 2009, 2010 and 2011. In fiscal years 2010 and 2011, the Federal Stabilization Funds are included in this forecast as revenue and expenditures. In fiscal year 2012, the Education Jobs grant revenues and expenditures are included in the forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. 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.

A. Basis of Accounting

This financial forecast is prepared on cash 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. The Board of Education and Administration

The Board of Education of the 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 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 hires two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

C. The District and its Facilities

Geographically, the District encompasses all but a small northeastern portion of the City of Garfield Heights. The District’s total area is approximately 9 square miles. The District operates two elementary schools (K-3), one intermediate school (4-5), one middle school (6-8), one high school (9-12).

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

D. District Employees

The District's instructional/support facilities are staffed by 172 classified employees, 233 certificated full-time and part-time teaching personnel, 13.5 exempt staff, 6 qualified staff and 21 administrators who provide services to 4,000 students.

General Assumptions

A. Enrollment/Average Daily Membership (ADM)

Enrollment refers to the number of students registered with the District. Average Daily Membership (ADM) is the full time equivalent (FTE) students. ADM is a smaller number due to the loss of student counts for unexcused absences during the first full week of October each year, the State's official ADM count week. Kindergarten students count as 50 percent. ADM estimates are included in the forecast. The forecast assumes no significant change in enrollment. The District continues to closely monitor enrollment numbers to assess the academic needs of our students.

B. Staffing

The District approved Cost Reduction measures amounting to \$2.124 million for fiscal year 2011. These reductions include 13 certified/credentialed positions, 7 full and part time classified positions, 2 administrative positions, and 4 qualified staff positions.

Revenue Assumptions

The District's primary sources of revenue are property taxes on real and public utility tangible personal property located within the District's boundaries, and from the State of Ohio through the State Foundation program. For fiscal years 2010 and 2011, part of the District's State foundation money will be provided by the State Fiscal Stabilization Fund (federal stimulus money). For fiscal year 2011, the Education Jobs grant money is also included in the forecast.

A. Property Tax Revenues

- 1. General Property Tax (Real Estate) (1.010)** consists of Residential/Agricultural (Class I) and Other-Commercial/Industrial (Class II). Property values are established each year by the County Auditor based on new construction and current appraised real estate values. Revaluation of real estate property takes place every three years. The next revaluation will take place in calendar year 2012.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

The following are real estate property valuation assumptions on which our general property tax forecasted revenues are based:

- For tax year 2010 and 2011, collectable in 2011 and 2012, Residential/Agricultural valuations and Other/Commercial valuations reflect no projected growth. Furthermore, residential new construction is projected to grow 0% and commercial construction is projected to grow 0%.
- In tax year 2012, which is collectable in 2013, another revaluation update takes place. Given the outlook on current economic trends valuation changes of a negative 10% for Residential and 0% are projected for Other/Commercial.
- For tax year 2013 collectable in 2014, Residential/Agricultural valuations and Other/Commercial valuations reflect no projected growth. Again, residential new construction is projected to grow 0% and commercial construction is projected to grow 0%. Based on current economic development plans, new construction is projected to grow 1%.
- For tax year 2014 collectable in 2015, Residential/Agricultural valuations and Other/Commercial valuations reflect no projected growth. Again, residential new construction is projected to grow 0% and commercial construction is projected to grow 0%. Based on current economic development plans, new construction is projected to grow 1%.
- In tax year 2015, which is collectable in 2016, another revaluation update takes place. Valuation changes of 8% and 3% are projected for Residential and Other/Commercial. The outlook is that economic trends may be on the upswing and return property values to a more traditional trending of values.

The chart below shows the general property tax valuation projected changes:

(In Thousands)

	CY11	CY12	CY13	CY14	CY15
Projected Valuation	\$428,284	\$395,979	\$397,032	\$398,095	\$430,648
% Change	0.0%	-7.54	0.3	0.3	6.9

- First half calendar year tax collections are received in the second half of the fiscal year. Second half calendar year tax collections are received in the first half of the following fiscal year.
- Real property (residential/agricultural and commercial/industrial) is assessed at 35% of the appraised market value in accordance with State law.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

- Revenue projections are vulnerable to fluctuations downward due to actual tax collections being less than expected as well as the loss of tax revenue due to unfavorable findings by the County Board of Revisions. The District retains legal counsel as its representative in tax complaints to protect and preserve the District’s tax base. The County Auditor would calculate (as shown on Schedule A), a delinquency factor (currently set at 88%) for tax revenue collections.
- The severity of the revenue reductions in fiscal years 2012 through 2015 are a result of the way property tax renewals are reported in this forecast. Although, the District can assume the passage of renewal tax levies, the tax collections must be reduced in the revenue portion of this forecast and the combined tax collections are shown on line 11.20. Please refer to the Note 5 of the forecast.
- The District has two five-year emergency levies that generate \$2.5 million and \$2.85 million annually. The \$2.5 million levy and the \$2.85 million levy expire in 2016 and 2017, respectfully.
- In fiscal year 2011, the district received \$620,277 as their share from the CityView Tax Increment Finance (TIF) agreement. However, CityView is in receivership and current indicators point to a significant reduction in this TIF payment going forward into the projected years 2012 through 2016. This revenue is reflected in the All Other Revenues (1.060) line.

The chart below shows projected General Property Taxes (Real Estate):

	CY11	CY12	CY13	CY14	CY15
Tax Revenue	\$11,677,372	\$11,595,729	\$11,530,757	\$11,550,650	\$11,663,015
% Change	-3.5	-0.7	0.6	0.2	1.0

2. Tangible Personal Property Tax (1.020) consists of Public Utility (PU) Tangible and Tangible Personal Property (TPP).

- HB66, adopted in 2005, called for the elimination of the Tangible Personal Property (TPP) tax.
- For the Public Utility (PU) tangible tax, revenue amounts are estimated for each of the forecasted fiscal years using the Calendar Year 2010 actual valuation for PU property.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

- We will not know the actual Calendar Year 2011 valuation until November 2011. Ohio legislative action also phases out telecommunication public utility valuations beginning in 2010 and this reduction in valuation is reflected in forecasted fiscal years 2012 through 2016.
- Projected revenues are based on 2010 valuations and are projected to be flat lined.

B. Unrestricted Grants-In-Aid/State Basic Aid (1.035)

- The Unrestricted Grants in Aid reflects the simulated amounts as calculated by the Ohio Department of Education (ODE).
- The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding basic aid was set as part of the State’s biennial budget for fiscal years 2012 and 2013. Due to the economic conditions within the State and the anticipated short fall in tax revenues in the next bi-annual budget, the level at which the State will fund schools is uncertain.
- The current Governor has established a temporary funding formula called the “Bridge” formula for individual school districts under House Bill 153. It is called the Bridge formula because it will bridge the gap until a final school funding formula is established. The current bridge formula uses property tax wealth and ADM as its main components.
- State Foundation revenue amount shown for fiscal year 2012 is the Bridge formula amount as calculated by the Ohio Department of Education (See Exhibit 1). Fiscal years 2013 through 2016 are projected using the same Bridge formula and 4,000 as the ADM.
- In addition, the State of Ohio will not make up the loss of SFSF funds distributed to school districts in 2010 and 2011 which amounted to \$1,080,000 annually.

	FY11	FY12	FY13	FY14	FY15	FY16
Basic Aid	\$16,444	\$16,899	\$16,876	\$16,881	\$16,886	\$16,891
Budget Stabilization	1,080	0	0	0	0	0
Education Jobs	0	883	0	0	0	0
Total	\$17,524	\$17,782	\$16,876	\$16,881	\$16,886	\$16,891
Net \$ Impact		258	(906)	5	5	5

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

C. Restricted Grants-In-Aid (1.040)

- The District receives career/technical aid, catastrophic aid reimbursement and special education cost reimbursements.
- The district has seen significant reductions in catastrophic aid and special education reimbursements. These amounts are projected to remain flat over forecasted fiscal years 2012 through 2016.
- Also reflected here is a one-time Educational Jobs restricted grant in the amount of \$883,000. This grant must be liquidated by fiscal year end 2012 and will not be available for future forecasted fiscal years. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. The Education Jobs grant may not be used, directly or indirectly, to establish, restore, or supplement a rainy-day fund, reduce or retire debt obligations incurred by the State, or supplant State funds in a manner that has the effect of reducing or retiring debt obligations incurred by the State.

D. Property Tax Allocation (1.050)

- The projections for the Homestead and Rollback payments are based upon the historical relationship to actual tax collections (12.5% on residential). As tax collections decrease, so do the rollback reimbursements.
- The projections do not take into account the affect of the change in State law that increased Homestead eligible taxpayers.
- HB 66 eliminated the roll back exemption for commercial/other. This elimination is reflected in the General Property Tax (Real Estate) forecasted revenue amounts. The district will receive these dollars directly from real estate taxes for commercial/other.
- The State of Ohio was holding harmless school district's who lost revenues from Tangible Personal Property (TPP) tax elimination (House Bill 66). The forecasted amounts were determined using a formula and spreadsheet developed by the Ohio Department of Education and the Ohio Department of Taxation. However, under the current state budget bill (House Bill 153), the district will have a signification amount (\$667,000) of their TPP reimbursement phased out in Fiscal Year 2012 and an additional amount (\$122,000) phased out in Fiscal Year 2013. This phase out is shown in the forecasted fiscal years 2012 and 2013, further eroding state funding to the district by an additional \$799,000.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

The chart below shows the net revenue dollar impact on the school district revenues:

	FY10	FY11	FY12	FY13	FY14
TPP Reimbursement	\$1,058,000	\$1,058,000	\$ 391,000	\$269,000	\$269,000
Net \$ Change			(\$667,000)	(\$122,000)	

E. All Other Revenues (1.060)

Local revenues include the following: Tuition, Interest Income, and Pay to Participate Fees, Building Rentals, and Miscellaneous /Other.

- *Tuition* revenues are derived from the pre-school handicapped program, intervention, and summer school programs. The tuition program for the pre-school handicapped continues to include students, who pay tuition. Assuming no additional tuition increases, projected years are assumed to remain flat-lined.
- *Interest income* revenue for fiscal year 2012 is projected to remain consistent with 2011. Assuming the same economic market and available cash in the projected fiscal years, interest income is projected to continue to remain constant using the current amount earned this fiscal year.
- *Pay to Participate* revenue is projected to increase for fiscal year 2012 due to an increase in the fee amount. Estimated participation levels were used to project this increased amount. PTP amounts are not projected to significantly change for fiscal years 2013 through 2016. It is assumed that the number of participants and the fee amount will not change during the projected years.
- *Building rental* revenue is projected to remain constant based on fiscal year 2011 amounts. At this time, it is assumed that the number of rentals and rental rates are not projected to significantly change for fiscal years 2012 through 2016.
- *Miscellaneous/Other Revenues* include fees/fines, reimbursements, and donations, not covered under the other revenue line items. This amount is not projected to significantly change for fiscal years 2012 through 2016 based on fiscal year 2011 amounts.

	FY11	FY12	FY13	FY14	FY15	FY16
Tuition	\$ 314,288	\$ 314,000	\$ 314,000	\$ 314,000	\$ 314,000	\$ 314,000
Interest	22,253	25,000	25,000	25,000	25,000	25,000
PTP	132,797	140,000	140,000	140,000	140,000	140,000
Rentals	27,154	27,000	27,000	27,000	27,000	27,000
Misc/Other	38,225	35,000	35,000	35,000	35,000	35,000
TIF	620,277	500,000	500,000	500,000	500,000	500,000
Total	\$1,154,994	\$1,041,000	\$1,041,000	\$1,041,000	\$1,041,000	\$1,041,000

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

F. Transfers/Advances In (2.040, 2.050)

- No significant transfers-in will be received in future forecasted years.
- Advances-in would be offset in the previous year with an initial advance-out; since we are not projecting any advances-out, no advances-in will be projected.

G. All Other Financing Sources (2.070)

- It is assumed that the amount of revenue from other financing sources will be insignificant and remain constant over the years projected.

H. Total Revenues and Other Financing Sources (2.080)

- The bottom-line changes in total revenues projected show the following:

* \$ 33,408,482	-3.2%	Decrease in 2011-2012 Fiscal Year
* \$ 32,280,672	-3.4%	Decrease in 2012-2013 Fiscal Year
* \$ 32,203,960	0.2%	Decrease in 2013-2014 Fiscal Year
* \$ 32,228,949	0.1%	Increase in 2014-2015 Fiscal Year
* \$ 32,359,568	0.4%	Increase in 2015-2016 Fiscal Year

I. Revenue Outlook

A decrease to no revenue growth is being projected over the next five years. In addition, with the reduction in state funding and elimination of budget stabilization stimulus dollars and with over 55% of the school district’s revenue coming from the state, the district will need a significant increase in revenues to cover these losses.

Expenditure Assumptions

The expenditure projections are based upon several key assumptions. Wage freezes including a step freeze have been accepted by all employees for fiscal year 2011 and these steps will not be made up in future forecasted fiscal years. Additional assumptions are that the change in student enrollment, as predicted by enrollment projections, (General Assumptions “A”) will **not require additional staffing** over the life of the projections other than what is included in the current projections. It is also assumed that the general economy will remain stable, and that inflation will be no greater than two to three percent in each of the projected years. Furthermore, that Ohio Legislature and the United States Congress will **not impose any new unfunded mandates that impact the General Fund.**

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

A. Personal Services (3.010)

- The District extended its collective bargaining agreement with the certified/credentialed employees union (GHTA) for one year (expires June 30, 2012). This extension calls for a step movement in 2012 for those eligible. In forecasted years 2012 through 2015, amounts shown reflect salary schedule step movements for those affected employees. No changes to the steps in negotiated agreement salary schedule are projected.
- The District is currently negotiating with the classified employees union (OAPSE). In forecasted years 2012 through 2016, amounts shown reflect salary schedule step movements for those eligible. No changes to the steps in negotiated agreement salary schedule are projected.
- Wage amounts projected for administration is based on contract agreements. Administrator salary schedules have been established based on the level of responsibility with the exception of the Superintendent and Treasurer. Salary/step freezes were instituted for administrative employees for 2011. For forecasted years 2012 through 2016, amounts shown reflect step movements for those eligible. Longevity amounts are based on the current administrator agreements and are not projected to change.
- Wage amounts projected for the exempt staff is based on established salary schedules, experience level, and level of responsibility. Salary/step freezes were instituted for all exempt employees for 2011. In forecasted years 2012 through 2016, amounts shown reflect salary schedule step movements for those affected administrators. Longevity amounts are based on the current OAPSE negotiated agreement. Longevity amounts are not projected to change.
- Wage amounts projected for the qualified staff is based on established salary schedules, experience level, and level of responsibility. Salary/step freezes were instituted for all exempt employees for 2011. In forecasted years 2012 through 2016, amounts shown reflect salary schedule step movements for those affected administrators. Longevity amounts are based on the current OAPSE negotiated agreement. Longevity amounts are not projected to change.
- Step movements for administrators, exempt and qualified staff are not automatic and movement is at the discretion of the Board of Education.
- Supplemental contracted amounts are projected to follow the Garfield Heights Teachers' Association negotiated agreement base salary amount and no increase in that base salary is projected in the forecasted fiscal years.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

- Substitutes are assumed to remain constant. The district has contracted with a private company to handle and assign certified/teacher substitutes with a minimal additional cost for administrative fees. A majority of this cost has been moved and projected in the purchased service area. Substitute rates are not projected to change significantly over the forecast period.
- Severance payments and early retirement incentive program costs, for those employees having retired, are projected to remain constant (\$300,000 annually) in the forecasted years based on past history.
- Salary schedule educational level movement, overtime, extra and extended times wage amounts is projected to be \$300,000 in fiscal year 2012 and to increase by 2% in forecasted years 2013 through 2016. This amount is based on past history.
- The five-year forecast is required to have reasonable assumptions addressing salary increase amounts beyond the current negotiated agreements. In accordance with ORC 5705.412, the district could not certify salary increases in future negotiated agreements unless the financial position allows for such increases. Therefore, no base salary increases are in this forecast.

B. Employees' Retirement/Insurance Benefits (3.020)

Fringe benefits consist of retirement, Medicare, health care, workers compensation, and unemployment.

1. Retirement

- The district is required to contribute 14% of an employee's salary to either the State Teachers' Retirement System (STRS) or the School Employees' Retirement System (SERS). As personal service (salaries, wages) costs increase/decrease from staff reductions, step movements, other compensation, retirement costs are projected to follow.
- It is assumed that there will be a continuation of the current fourteen percent employer contributions for both STRS and SERS during each year of the projected years.
- We are also estimating that the SERS surcharge will decrease slightly. The surcharge on non-teaching employees is calculated on part-time employees. The rate after calculations amounts to 2% of all non-certificated employees' wages or the statewide limit of 1.5% of the statewide payroll, whichever is lower. This current surcharge amount (\$135,000) is not projected to change significantly in the forecasted fiscal years.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

2. Medicare

Any employee hired after 1986 is required to have contributions of 2.9% of their salary paid into Medicare. The district under federal law is responsible for 1.45%, and the employee is responsible for 1.45%. As personal service (salaries, wages) costs increase/decrease from staff reductions, step movements, other compensation, Medicare costs are projected to follow.

3. Health Care

- The medical, prescription, dental and vision health care coverage is currently with Medical Mutual of Ohio (MMOH). The district joined the Suburban Health Consortium (SHC) in January 2006. This was done to help stabilize rates over future years.
- All employees contribute 7% of the premium cost per month towards their health insurance coverage. This contribution amount is not projected to increase over the forecasted fiscal years unless negotiated agreement provisions contain a change to this amount.
- Health insurance rate actual increases for fiscal year 2012 are reflected in the following table along with projected increases for fiscal years 2013 through 2016:

Coverage	FY12	FY13	FY14	FY15	FY16
Medical	15.7%	14.0%	12.0%	12.0%	12.0%
Prescriptn/Drug	(.9%)	5.0%	5.0%	5.0%	5.0%
Dental	5.4%	3.0%	3.0%	3.0%	3.0%
Vision	(1.2%)	1.0%	1.0%	1.0%	1.0%

4. Workers Compensation

The workers' compensation rate and amount decreased in fiscal year 2011 from 2% of covered payroll to 1.4%. For fiscal years 2012 through 2016, the workers' compensation rate is projected to remain constant at 1.4% and to costs to increase slightly as the payroll is projected to grow.

5. Unemployment

This amount is projected to be reduced over the projected years assuming there are not any further significant reductions in force.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

C. Purchased Services (3.030)

This category includes contractual services, special education services, legal services, rentals and leases, travel and mileage, utilities, and building/equipment repairs. Unless otherwise noted below, all purchased service areas are running at or below current estimates and no future projection changes were made.

1. **Contractual services** include data processing services, professional certified staff substitute services, maintenance agreements and management consultants. Costs for these services continue to increase significantly; therefore, we are projecting annual increases of fifteen percent (15%) in projected years 2012 to 2016.
2. **Special Education Services** include Occupational/Physical Therapy, Health, Special Education Excess Costs, Tuition paid to other school districts, Community School tuition, and Post Secondary Enrollment. These costs decreased 6% in fiscal year 2011. However, we are projecting these costs to increase 10% in fiscal year 2012. Increases of ten percent (10%) are projected annually for fiscal years 2013 to 2016.
3. **Legal services** include professional services provided by several law firms for the following general legal services: labor relations, special education student issues, and Board of Revision/Board of Tax Appeals issues. This cost decreased in fiscal year 2011 due to a drop in legal issues needing resolve. However, a significant increase is projected for fiscal year 2012 due to anticipated need for increased legal services. Inflationary annual increase of three percent (3%) for fiscal years 2012 to 2016 is projected.
4. **Rentals and Leases** includes the cost of rentals throughout the district. The only equipment that the district leases is photocopiers and postage machines. The district reworked its copier contract to stabilize and control copying costs and has 2.5 years remaining on the lease agreement. This amount will remain relatively flat over the future forecasted years based on these established lease contracts.
5. **Travel and Mileage** category includes all payments for professional travel and employee mileage reimbursement. This area is being held to prior year budget amounts with a zero percent increase in fiscal year 2011. Based on current inflationary rates, a (2%) increase in the forecasted years is projected.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

6. **Utilities** include expenses for telephone, electric, natural gas, and water and sewer. The District participates in the Ohio Schools Council's (OSC) prepaid electric energy program and natural gas purchase program to help stabilize rates.
 - Electric rates decreased 14% in fiscal year 2011. A 9% increase is projected for fiscal year 2012 and a 15% annual increase is projected for fiscal years 2013 through 2016.
 - Natural gas decreased 23% in fiscal year 2011. A 6% increase is projected for fiscal year 2012 and a 15% annual increase is projected for fiscal years 2013 through 2016.
 - Water and Sewer decreased 6% in fiscal year 2011. A 3% increase is projected for fiscal year 2012 and a 15% annual increase is projected for fiscal years 2013 through 2016.
 - Telephone remained flat in fiscal year 2011. Costs are projected to be flat lined for fiscal years 2012 through 2016.
7. **Building/Equipment Repairs** category includes all outside non-capital repairs of technology/building equipment and grounds. It also contains the cost of maintenance rental equipment and vehicle/equipment repairs. Based on current inflationary rates, a 3% increase in the forecasted years is projected.

D. Supplies and Materials (3.040)

This category includes educational supplies, library books/supplies, office supplies/postage, maintenance supplies, transportation supplies, and textbooks. With the exception of textbooks and fuel/gas, the projected amounts for fiscal year 2012 remain at the 2011 level.

1. **Educational supplies** include workbooks, guidance, handicap support materials, testing materials, technology, etc. Educational supplies assume an inflationary three percent (3%) increase in the following projected years 2013 to 2016.
2. **Library Books/Supplies** includes all library books and subscriptions and audio-visual materials. Library books/supplies assume an inflationary three percent (3%) increase in the following projected years 2013 to 2016.
3. **Office Supplies/Postage** is all the consumable supplies used throughout the district for administrative purposes. Educational supplies assume an inflationary three percent (3%) increase in the following projected years 2013 to 2016.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

4. **Maintenance Supplies** includes all cleaning and building maintenance supplies. The budget for these services is being reduced for fiscal year 2011 in conjunction with the budget reduction measure. Maintenance supplies assume an inflationary three percent (3%) increase in the following projected years 2013 to 2016.
5. **Transportation Supplies** are consumable supplies for fuel, tires, and parts used for the maintenance of the bus fleet and vehicle fleet.
 - Transportation supplies assume an inflationary three percent (3%) increase in projected years 2013 to 2016.
 - Fuel costs increased ten percent (10%) in fiscal year 2011. For fiscal year 2012, a 20% reduction in fuel costs is projected due to bussing being reduced to state minimums. In forecasted fiscal years, fuel costs assume a three percent (3%) inflation rate assuming the same level of pupil transportation is being provided.
6. **Instructional Resources** The district has made a commitment to get on a schedule for the annual purchasing of new classroom resources (textbooks). Therefore, this amount has been increased significantly for fiscal year 2012. Instructional resources assume an inflationary three percent (3%) increase in projected years 2013 to 2016.

E. Capital Outlay (3.050)

Capital outlay includes the purchase of new instructional equipment, special education equipment, building improvements, replacement vehicles/busses and replacement educational equipment including technology items.

- The projected amounts for fiscal year 2012 remain at the 2011 level.
- A three percent (3%) inflationary annual increase in forecasted years 2013 through 2016 is being projected.
- No bus purchases are included in the projected fiscal years 2012 to 2016.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

F. Debt Service (4.055)

The district has four debt service obligations from the General Fund. These include the repayment of two Qualified Zone Academy Bonds and a HVAC equipment lease purchase.

- Repayment amortization schedules have been established for each of these debt issuances and are reflected in the forecast.
- The HVAC lease purchase repayment ends in fiscal year 2012.

G. Other Objects (4.300)

This category includes the following:

1. **Insurance** premiums for fleet and general liability insurance increased slightly in fiscal year 2011. This cost is projected to increase by an inflationary three percent (3%) annually in projected years 2013 to 2016.
2. **Auditor and Treasurer Fees** are based on the amount of property taxes collected as set by Ohio law and future year's projections are based on these collections. Actual costs incurred increased twenty nine (29%) in fiscal year 2011. A new fee is assessed on delinquent tax collections to fund the County land bank. Cuyahoga County issued delinquent tax anticipation notes (DTAN) to distribute tax advances for delinquent collections, resulting in increased fees when the DTAN payment was made. The County will continue to issue DTANs for tax advances to the district. A six percent increase is projected for fiscal year 2012 and an inflationary increase of three percent (3%) annually in projected years 2013 to 2016.
3. **Other expenses** include bank service charges, audit fees, organization dues and membership fees, County Educational Service Center deductions, and election expenses.
 - Due to a change in the method the Board of Elections is billing their costs incurred, election expense decreased significantly in 2011. However, these expenses are projected to increase significantly in fiscal year 2012 and then remain constant in forecasted years 2013 through 2016.
 - State audit fees are projected to remain constant for fiscal year 2012 then assume a three percent (3%) inflationary increase in forecasted fiscal years 2013 to 2016.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

- Organizational dues and league membership fees are projected to increase three percent (3%) for forecasted years 2012 through 2016.
- County Educational Service Center deductions are projected to remain constant for fiscal year 2012 then assume a three percent (3%) inflationary increase in forecasted fiscal years 2013 to 2016.

H. Other Financing Uses (5.010, 5.020, 5.030)

This category shows the transfers/advances of monies to other funds that cannot generate enough revenues to offset their expenditures.

- **Transfers Out** is projected to remain constant over the forecasted period and that no other funds will need a transfer.
- **Advances Out** has been required in previous years. We are not projecting an Advance Out as these amounts vary greatly from year to year and are offset through an Advance In thus creating no financial impact on the overall forecast.
- **All Other Uses** has been minimal and inconsistent; therefore, we are projecting a minimal amount in forecasted fiscal years 2012 through 2016.

I. Total Expenditures and Other Financing Uses (5.050)

The bottom-line changes in total expenditures and other financing uses projected show the following:

* \$ 34,637,221	2.5%	Increase in 2011-2012 Fiscal Year
* \$ 35,588,177	2.7%	Increase in 2012-2013 Fiscal Year
* \$ 37,064,830	4.1%	Increase in 2013-2014 Fiscal Year
* \$ 38,608,858	4.1%	Increase in 2014-2015 Fiscal Year
* \$ 40,184,567	4.0%	Increase in 2014-2015 Fiscal Year

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2012 through 2016

Future Outlook

- Revenues are projected to **decrease** annually by an average of 1.3% over the forecasted years 2012 through 2016 while expenditures are projected to **increase** annually by an average of 4%. The district has an operating levy on the November 2011 ballot to generate additional dollars to make up for the shortfall.
- The assumptions disclosed in these notes are those that the Treasurer believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material.
- Actions by the Ohio Department of Education, US Department of Education, State Legislature, Ohio Board of Taxation, the Ohio Supreme Court, the Cuyahoga County Board of Revision, and other governmental bodies will impact these projections and the results of their actions could seriously threaten the accuracy of the forecast and assumptions.

Exhibit A

**Ohio Department of Education
Office of Quality School Choice & Funding Policy and Payments
Bridge Form Simulation Fiscal Year 2012
Version 9/1/2011**

IRN: 44040 District: Garfield Heights City SD County: Cuyahoga

Fiscal Year 2011 Calculation Factors:

A	Recalculated Formula ADM -October 2010 Count (A1 - (A2 * 0.80) + (A3 * 0.20))	4,039.77
A1	Total Number of Students (Total ADM)	4,118.45
A2	JVSD. Special Education Students	98.60
A3	Contract Voc Students of Resident Districts	1.00
B	Charge-Off Property Valuations	442,961,200.00
C	District Charge-Off Valuation Per-Pupil (B/A)	109,650.10
D	Statewide Median Charge-Off Valuation Per-Pupil	124,359.17
E	District Charge-off Valuation Index (C / D)	0.881721102
F	PASS Form Amount-State Resources for the Foundation Funding (includes SFSF Payment)	17,249,928.40
G	PASS Form Amount Per Pupil	4,270.03
H	State Fiscal Stabilization Fund Payment (SFSF)	1,362,114.97

Fiscal Year 2012 Calculation Factors:

I	Current Year Formula ADM (I1 - (0.8 * I2) + (0.2 * I3))	4,039.77
I1	Total Number of Students (Total ADM) - Per User's Simulation	4,118.45
I2	JVSD. Special Education Students - Per User's Simulation	98.60
I3	Contract Voc Students of Resident Districts - Per User's Simulation	1.00
J	Statewide Per Pupil Adjustment Amount	159.00
K	District Adjustment Amount (E * I * J * -1)	-566,350.12

Fiscal Year 2012 Bridge Form Calculations:

L	Preliminary State Resources for the Foundation Funding for FY12 ((G * I) + K)	16,683,588.97
M	Supplemental Guarantee Payment ((F - H - L) if > 0)	0.00
N	Subsidy Payment for High Performing Districts ([17 * I] if rated Excellent or Excellent with Dist)	0.00
O	State Resources for the Bridge State Foundation Funding (L + M + N)	16,683,588.97

Additional Aid Items:

P	Preschool Special Education Units	148,757.92
Q	Special Education Transportation	101,087.15

Transfers and Adjustments:

R	Educational Service Center Deduction	-27,256.87
S	Open Enrollment Adjustments - Per User's Simulation	-154,005.57
T	Transfer for students educated by Community Schools - Per User's Simulation	-1,301,891.54
U	Transfer for students educated by STEM Schools	0.00
V	Transfer for students receiving Educational Choice Scholarships	0.00
W	Other Adjustments	-55,441.70

Total Net State Support (O + P + Q + R + S + T + U + V + W) 15,394,838.36

Disclosure Items:

Y	Special Education Allocation of State Resources (equal to FY11 allocation)	1,670,796.56
Z	Career-Technical Education Allocation of State Resources (equal to FY11 allocation)	34,714.80
AA	Gifted Education Allocation of State Resources (equal to FY09 gifted units and identification)	39,318.75